

## The Kyrgyz Republic

### Recent Economic Developments: January -June 2003

#### Summary

The Kyrgyz economy continued to grow during the 1<sup>st</sup> half of this year, albeit at a modest rate. Service and industry are sectors, which mainly contributed to growth of the GDP. Despite not recovered yet gold production, which is even lower than its level in 1<sup>st</sup> half of previous year, industry output increased. Consumer prices in first five months increased and begun to decline in June reflecting seasonal pattern, thus, inflation remains at low level. Exchange rate appreciated both in nominal and real terms against US\$, Russian Ruble and Kazak Tenge, but depreciated against Euro. Appreciation of exchange rate caused significant increase of merchandise imports in II quarter of this year and it led to deterioration of current account balance. Non-gold exports also declined, and it was more than compensated by the increase in gold exports, with the latter reflecting the effect of higher gold prices. The general government deficit declined reflecting both an improvement in revenue collection and reduction in expenditures. The government arrears has been reduced significantly. Salaries of social sector employees increased by 15 percent and pensions by 5-15 percent from April 1 2003.

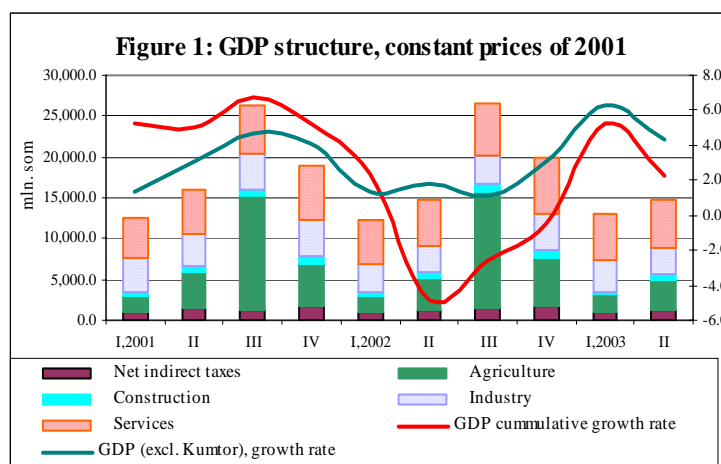
#### 1. Growth

*The real GDP grew by 2.3 percent in 1<sup>st</sup> half of this year over the same period of last year. Only industry (by 0.7 percent) and services (by 2.3 percent) contributed to growth of the GDP. Value added of agriculture sector and construction declined and reduced real GDP growth by 0.9 percent. Kumtor related gold production was lower than in 1<sup>st</sup> half of last year as it is still not recovered from last year's landslide. Excluding gold related production, the real GDP grew by 4.3 percent in January-June of this year, pointing to a slowdown in growth achieved during the I quarter.*

**Table 1: Growth rates of GDP by sectors**

	2001	2002	I-II, 2002	I-II, 2003
GDP	5.3	-0.5	-4.9	2.3
GDP excl. gold	4.1	3.1	1.8	4.3
Agriculture	7.3	3.3	-6.9	-3.4
Construction	4.0	-0.1	-25.0	-4.7
Industry	4.8	-11.3	-15.9	2.7
Services	3.3	4.2	6.0	5.5

Source: NSC



Source: NSC

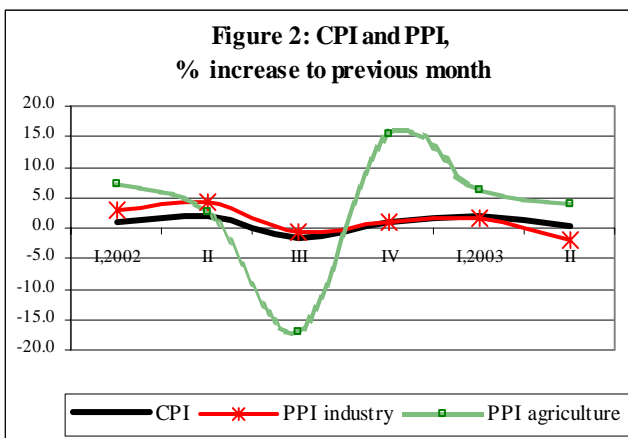
- Industrial output** increased by 2.5 percent and excluding Kumtor related gold production it grew remarkably by 14 percent, mainly due to growth of food production, cloth production, construction material production and generation and distribution of power. The large range of food products contributed to growth of food industry, among them the most substantial increase occurred in production of meat and milk products, flour and flour products, sugar and molasses, spirit and alcohol products. Significant growth of food production during last two year, mainly led by consumption demand increase, indicates beginning of recovery of food industry. Despite decline in textile production, cloth production significantly increased, and it also could be

explained by increase in consumption demand. Growth of construction materials production could be explained partly by recovery of their exports along with increase in glass sheet production by one of the glass plants. Electricity generation and distribution increased by 19 percent in the 1<sup>st</sup> half of this year over the same period of last year reflecting growth of domestic consumption of electricity, which, in turn, could indicate growth of the economy, including shadow economy.

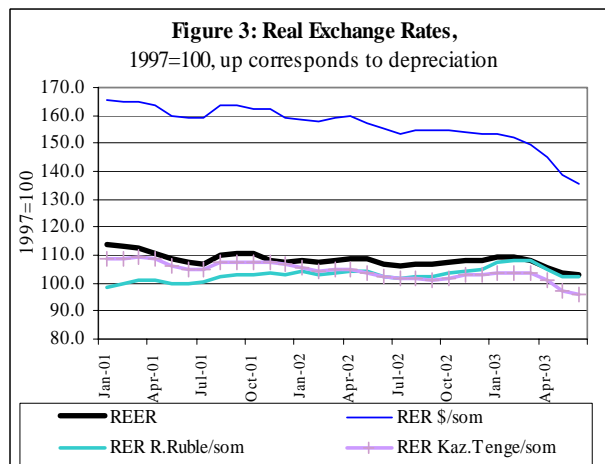
- **Construction** declined by 4.7 percent, reflecting mainly diminishing Public Investment Program. Investments in the Bishkek-Osh road reconstruction, which is the largest PIP project, declined by 57 percent in 1<sup>st</sup> half of this year over the same period of last year. Among positive signs in construction, growth of investments in power sector by 12.5 percent, could be highlighted.
- **Agricultural output** declined by 3.4 percent mainly due to impact of the rainy spring this year, which caused delay in harvesting compared to last year.
- **Services** value added grew by 5.5 percent and continued to be led mainly by trade, public catering and car repair services. Among other services cargo transportation and communication services grew as well.

## 2. Inflation, exchange rate and interest rates

Over the period January-June of this year the consumer prices increased by 2.5 percent. Average inflation of 1<sup>st</sup> half of this year was 3.1 percent over the same period of last year, mainly due to increase of prices on fruits and vegetables. Exchange rate appreciated substantially against US\$ both in nominal and real terms. Real effective exchange rate appreciated also.



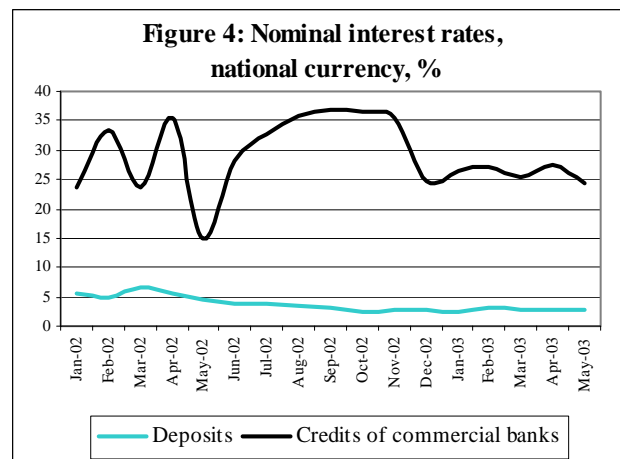
Source: NSC



Source: NBKR

- **Inflation** over the end-2002 was 2.5 percent and mainly explained by seasonal increase of food prices by 5.5 percent. Consumer non-food products prices declined by 1.8 percent due to decline of prices for slid fuel, gasoline, gas and pharmaceutical products, which reflects combination of appreciation of exchange rate, substantial reduction of excises on oil products, and exemption of imports of medicaments from VAT. Agricultural producers' price index increased by 10 percent over the end-2002, reflecting mainly seasonality which has started being reversed in June. Industrial producers price index remained stable during the 1<sup>st</sup> half of this year.

- **The exchange rates** appreciated in nominal terms by 10 percent against US\$, by 6 percent against Russian Ruble and by 7 percent against Kazak tenge, while depreciating by 4 percent against Euro. Real effective exchange rate appreciated by 4.5 percent, reflecting real bilateral appreciations against currencies of main trade partners.
- **Interest rates** on commercial bank credits and deposits remained relatively stable during the 1<sup>st</sup> half of this year, albeit with signs of beginning of declining trend in the period ahead December of last year (see Figure 4). Low inflation expectations and stable macroeconomic environment led to growth of deposits and decline of deposit interest rates. Growth of deposit base allowed commercial banks to increase their lending to the economy, and reduce interest rate on credits, however, gap between credit and deposit interest rates remains high. It should be noted that financial market of the Kyrgyz Republic is very small and even single and one time transactions could cause significant fluctuations and could have substantial reflection on average interest rate (e.g. pls. see the interest rate on credits in May 2002 on the Figure 4).



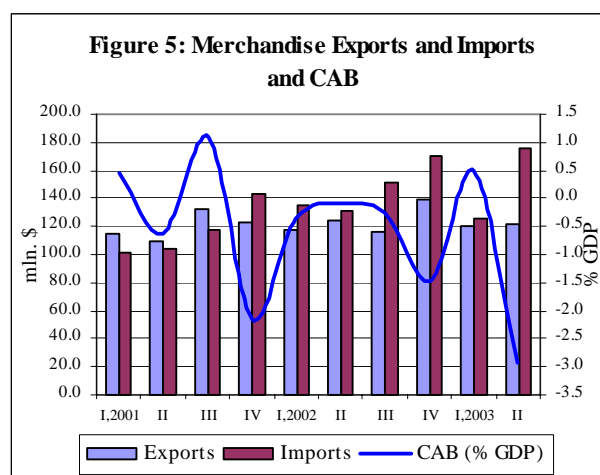
### 3. External Sector

*Current account deficit increased, mainly reflecting increase in imports. Imports increased by 9 percent in 1<sup>st</sup> half of this year compared with its level in the same period of last year. Significant appreciation in exchange rate so far this year has been the primary factor underlying the increase in imports. Value of exports remained at almost the same level as in 1<sup>st</sup> half of last year, however, excluding gold exports, it declined by 5 percent. Gold exports increased due to increase in gold price despite significant decline in volume of gold exports. External debt remained stable as in GDP terms.*

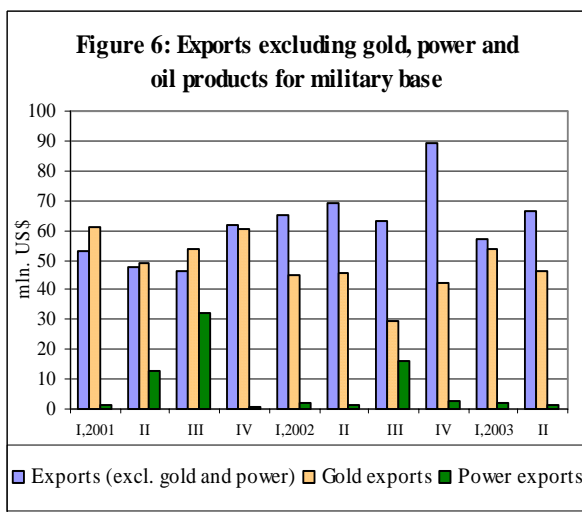
**Table 2: Current Account Balance (million US\$)**

	2001	2002	I-II, 2002	I-II, 2003
CAB (% GDP)	-1.2	-2.2	-0.3	-2.4
CAB (million US\$)	-18.9	-34.6	-7.0	-43.4
Merchandise Exports	480.3	498.1	241.9	242.7
Gold exports	226.7	162.8	91.1	100.0
Merchandise Imports (fob)	440.4	552.1	251.9	275.2
Exports of services	80.3	138.4	58.7	63.0
Imports of services	124.7	145.5	60.6	73.4
Net income	65.5	59.7	26.0	23.4
interest payments (scheduled)	39.4	32.3	15.0	14.7
Current Transfers	51.1	86.1	30.9	22.9

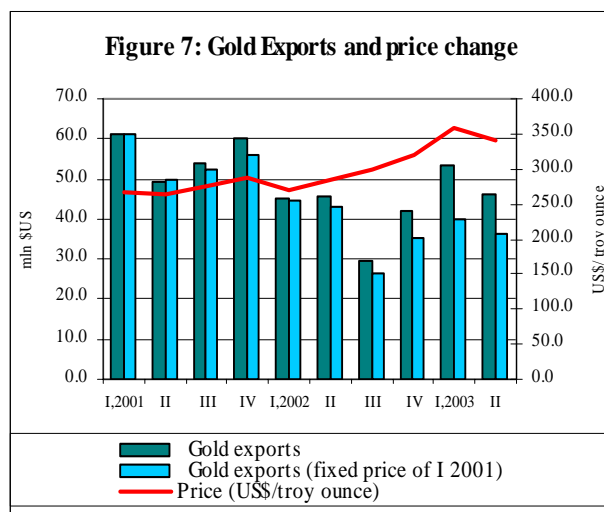
Source: NBKR



- **Current account deficit** increased to 2.4 percent of GDP in 1<sup>st</sup> half of 2003 compared to 0.3 percent of GDP in the same period of last year. Current account balance deteriorated from positive 0.5 percent of GDP in the I quarter of this year to a deficit of 2.9 percent of GDP in the II quarter. The increase in deficit mainly caused by significant increase in imports.
- **Exports** of cotton-fiber, non-fermented tobacco and leather declined most significantly explaining declining total non-gold exports. As a SARS preventive measure the borders with China was closed for about two months within 1<sup>st</sup> half of this year and it caused decline of exports to China, where leather mainly exported. Decline of production of cotton-fiber and tobacco led to decline of their exports. Exports of construction materials, mostly exported to Kazakhstan and Russia, increased significantly, as a result of increase in glass production and elimination of import quotas for some construction materials by Kazakhstan last year. Another positive sign is an increase in exports of milk products to Kazakhstan. Power exports remained at 1<sup>st</sup> half of last year level. As noted above, value of gold exports increased by 10 percent despite 13 percent decline in volume of exported gold (the Figure 7)

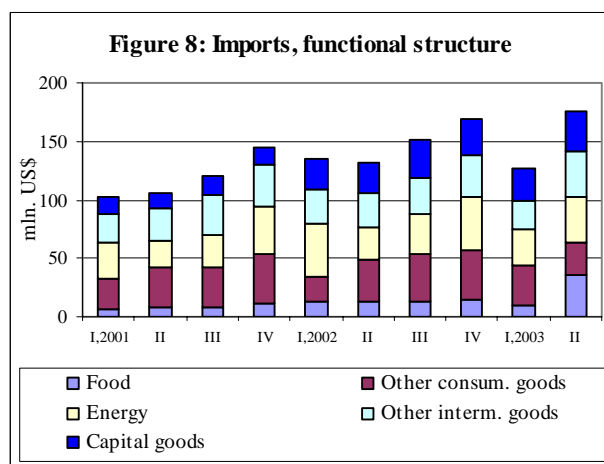


Source: NBKR



Source: NBKR

- **Imports** increased remarkably in the II quarter of this year, when exchange rate appreciated most significantly (the Figure 8). Almost all categories of imports increased, except imports of energy products decline of which was related to intergovernmental water-energy exchange<sup>1</sup>. The imports of food products, such as sugar, cigarettes, vegetable oil and beer, increased most significantly. It is worthwhile to note that imports of capital goods increased despite decline in Public Investment Program, which reiterates signs of increasing private sector production. Imports



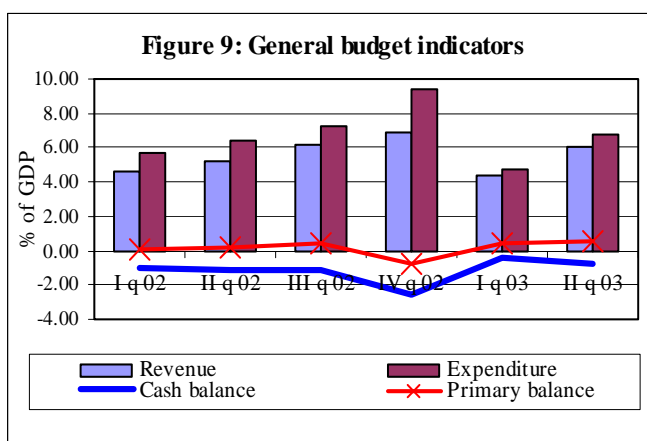
<sup>1</sup> Due to rainy year, Uzbekistan and Kazakhstan have not needed water from Kyrgyz Republic for irrigation purposes which caused power export decline and consequent reduction of gas and other energy products imports which Kyrgyz Republic receives as a payment for power exports.

increased mostly from Kazakhstan and Russia. Imports from China declined, significant share of which is consumer goods, caused by SARS prevention measures.

- On the **external debt** front, there has been no new private external borrowing while public debt increased by US\$ 33.5 million in the 1<sup>st</sup> half of this year. The Government has remained current in debt repayments.

#### 4. General Government budget

The general government budget cash deficit decreased to 1.1 percent of GDP in January-June of this year, against 2.2 percent of GDP in the same period of 2002 and the government reported decline in accumulated arrear. The deficit reduced due both to increase in revenues and decrease in expenditures. One of the main fiscal features of 1st half of this year is that the budget has been executed by means of only domestically raised resources<sup>2</sup>.



**Table 3: Structure of revenue (% GDP)**

	2001 I-II	2002 I-II	2003 I-II
<b>Taxes, of which</b>	<b>7.50</b>	<b>7.63</b>	<b>7.93</b>
Income tax	0.69	0.75	0.81
Profit tax	0.67	0.50	0.62
VAT domestic	0.68	0.82	0.75
VAT on import	1.70	1.85	1.94
Excises domestic	0.44	0.31	0.33
Excises on import	0.29	0.31	0.30
Emergency&road tax	0.60	0.60	0.64
Land tax	0.07	0.12	0.12
Retail tax	0.18	0.25	0.25
Custom duties	0.17	0.22	0.23
Payroll tax&other deductions to SF	2.00	2.04	2.12
<b>Non-taxes</b>	<b>1.64</b>	<b>1.76</b>	<b>2.35</b>
of which special means	0.72	0.87	0.97
<b>Capital receipts</b>	<b>0.02</b>	<b>0.09</b>	<b>0.02</b>
<b>Grants</b>	<b>0.18</b>	<b>0.34</b>	<b>0.06</b>
<b>Total revenue</b>	<b>9.34</b>	<b>9.81</b>	<b>10.36</b>

<sup>1</sup> Excluding payroll tax from budget entities

<sup>2</sup> Including income tax on non-residents

<sup>3</sup> Including Mandatory patent fee and Single tax for small enterprises

<sup>4</sup> Including payroll tax from budget entities

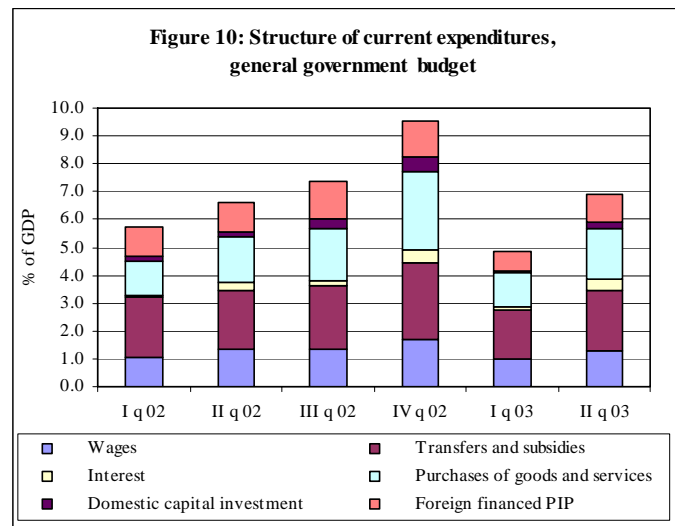
- **Total revenue** amounted to 10.4 percent of GDP in January-June 2003, compared to 9.8 percent in corresponding period of 2002, and exceeded the level of January-June 2002 by 12 percent in real terms. The increase in revenue mainly reflects improvement in tax collection (see Table 3), mainly occurred in the second quarter of the current year (see the Figure 9). However, budget revenue is strongly dependant on financial performance of few large enterprises.

➤ An increase in salaries for budgetary employees (in particular, employees of social, interior and defense sectors), overall increase in incomes of population received in cash<sup>3</sup>, as well as better tax administration, including income tax on non residents, were the main underlying factors for **income and payroll taxes** increase.

<sup>2</sup> Only Swiss grant at about \$1 million was received in second quarter of 2003.

<sup>3</sup> According to National Statistical Committee report, cash incomes increased by 6 percent in nominal terms, compared to January-June 2002 level.

- **Profit tax receipts** increased, mainly reflecting improved financial performance of the airport Manas (due to increased services provided to international military base located in the airport).
  - Following quite remarkable increase in merchandise imports, **VAT on imported goods** and **custom duties** increased also. At the same time, collections of **excises** on imports reduced, mainly caused by reduction of excises rates on oil products in March 2003.
  - Temporary stoppage of oil production by the Petroleum Company caused significant decline in collection of **VAT on domestic goods**.
- **Total expenditure** declined to 11.5 percent of GDP in the first half of this year from 12.1 percent in the same period of previous year, mainly due to significant reduction in foreign financed PIP. Recurrent expenditures slightly declined also<sup>4</sup>. The increase of the state budget revenue in second quarter of this year let the government to increase recurrent expenditures, mainly for capital repair, medicaments, equipment and food. The Social Fund also paid out all pensions in time.



Source: the MoF

## 5. Legislative changes

- Law on leasing was signed by the President Akaev on July 23, 2003. The law aims at the development of investment forms on the basis of leasing and determines main legal, organizational and economical features of leasing.
- Almost simultaneously appropriate amendments to Tax Code were introduced to (i) remove VAT on the interest paid by lessees as part of their lease payment; (ii) remove VAT on imports of leased technical equipment, and (iii) reduce the interest tax paid by financial institutions to 10%.

<sup>4</sup> It should be mentioned that in 1<sup>st</sup> half of 2002 the Government financed not only recurrent expenditures, but also repaid quite significant arrears accumulated in 2001.

- The President issued several decrees with regard to increase in budget employees' salaries and pensions. The decrees envisage the increase in salaries of social sector employees (doctors, teachers, employees of culture sector) by 15 percent and pensions by 5-15 percent from April 1, 2003.
- The Government adopted a Program to facilitate legalization of informal economy (May, 2003), which envisages implementing a set of measures, such as improvement of informal economy monitoring, establishment of the center for informal economy study, conducting of surveys, improvement of taxation, establishment of single information system between tax and custom inspections, etc.
- The Government's decree as of April, 2003, established 2001 International Audit Standards as the statutory audit standards for the Kyrgyz Republic.
- On May 23, 2003, the Government considered performance of energy sector and approved the Action Plan on electricity sector development, which includes, among other, the following actions:
  - expending electricity export market into Russia;
  - construction of Kambarata HPS (first hydro-power generation set to be in operation by 2007-2008 years ) and reconstruction of some other HPSs and transmission lines;
  - establishment of independent expert commission on technical losses estimation;
  - timely and full electricity payments for budget entities;
  - strengthening the disconnection policy and fighting with electricity theft;
  - writing off bad debts within the system and restructure debts of energy companies before the state budget and the Social Fund.
- In May 2003 the Government adopted the action plan on Pension system reform concept implementation. The plan identifies measures to be implemented for adopting a funded approach to pensions.
- In the end of May the Government abolished its previous resolution on an increase of excises for imported cigarettes.

## **6. Topic of the quarter: Small and Medium Enterprises Development<sup>5</sup>**

The SMEs and individual entrepreneurship play very important role in the Kyrgyz economy and poverty reduction. The government has taken a lot of efforts for development of private sector and has recognized it as a priority in PRSP document. To improve business environment and remove regulatory barriers the government has developed and is implementing the Investment Matrices. Despite all these efforts and stable macroeconomic environment in the country, the official statistics suggests that there is no sustainable development of the SME sector in recent years. This section briefly describes development of the SMEs and individual entrepreneurship, excluding farmers in last four years and its contribution to the economic growth, based on official statistics.

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<sup>5</sup> Based on the NSC's publication "SMEs in the Kyrgyz Republic, 1999-2002"

In the Kyrgyz Republic the SMEs are classified by number of employees and size of turnover. The table 4 shows thresholds, which are used to define small and medium enterprises.

**Table 4: SME classifications in the Kyrgyz Republic**

	<b>Number of employees</b>	<b>Annual turnover</b>
Medium enterprises	51-200 employees in industry, construction, transport, telecommunications, agriculture and other processing/manufacturing industry; 16-50 employees in trade, catering, services including finance and insurance	som 0.5 to 2.0 million
Small enterprises, including micro enterprises	Less than 50 employees in industry, construction, transport, telecommunications, agriculture and other processing/manufacturing industry; less than 15 employees in trade, catering, services including finance and insurance	less than som 0.5 million

Source: Government Decree No 78 of 17 February 1998

Besides the SMEs, individual entrepreneurship has dynamic development and significant contribution to the economy. Individual entrepreneurs are people appropriately registered and involved in production of goods or rendering services without creating legal entities. In practice individual entrepreneurs work mainly under patent system and do not pay other taxes and do not report to tax and statistics agencies.

In the last three years the number of functioning SMEs and employment in them were not increasing and even declined in 2002 (the Table 5)<sup>6</sup>. Also financial performance of the SMEs is unstable. Small enterprises reported US\$ 3.9 million of losses in 2002, after two years of reporting profits about US\$ 3-3.3 million in 2000-2001. Medium enterprises reported significant reduction of profits from US\$8.5 million in 2001 to US\$1.2 million in 2002.

**Table 5: Number and Employment of SMEs and individual entrepreneurs**

	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002<sup>1</sup></b>
<b>Number of active entities (thousand units)</b>	<b>103.8</b>	<b>110.0</b>	<b>119.9</b>	<b>130.3</b>
Number of active Small Enterprises	8.0	7.6	7.6	6.9
Number of active Medium Enterprises	1.0	1.0	1.0	0.9
Individual entrepreneurs	94.8	101.4	111.3	122.5
<b>Employment (thousand people)</b>	<b>211.6</b>	<b>214.3</b>	<b>225.2</b>	<b>214.0</b>
Number of people working in Small Enterprises	46.2	46.6	47.6	41.7
Number of people working in Medium Enterprises	70.6	66.3	66.3	49.8
Individual entrepreneurs	94.8	101.4	111.3	122.5
<b>Share in total employment (%)</b>	<b>12.0</b>	<b>12.0</b>	<b>12.6</b>	<b>11.8</b>
Number of people working in Small Enterprises	2.6	2.6	2.7	2.3
Number of people working in Medium Enterprises	4.0	3.7	3.7	2.7
Individual entrepreneurs	5.4	5.7	6.2	6.8

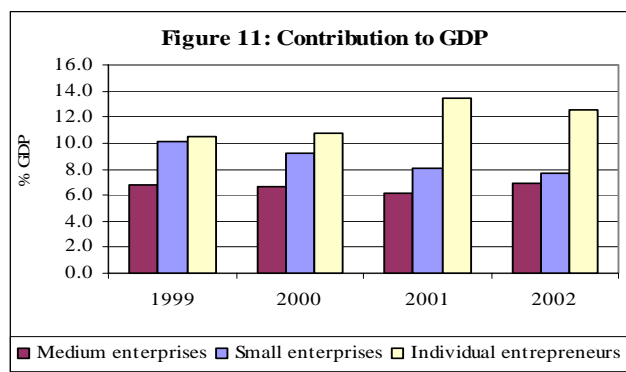
Source: the National Statistics Committee

1- NSC reclassified some enterprises in 2002

<sup>6</sup> Coverage of SMEs by official statistics deteriorated in 2002 and it caused significant changes in dynamics of data for 2002.

In contrast to the performance of SMEs, the number of individual entrepreneurs is strongly growing and increased by 37 percent since 1998 and reached more than 6 percent of the total employment.

The total contribution of the SMEs and individual entrepreneurs to the GDP is about the same level and averaged to 27 percent of GDP in recent four years, however, as the Figure 11 suggests contribution of small enterprises is declining. The contribution of individual entrepreneurs to the GDP is the largest compared to the SMEs and averaged 12 percent in 1999-2002, albeit its growth is not yet sustainable.



Among sectors, where contribution of the SMEs and individual entrepreneurs was growing in recent years, trade and transportation sectors could be highlighted (Table 6). Industrial output of the SMEs, after growing modestly in 2000-2001, increased by 10 percent in 2002. Construction works done by individual entrepreneurs, mainly in informal economy, have been growing remarkably in recent years, while construction output of the SMEs is not so sustainable, despite being increased by about 3 percent in 2002. Number of registered individual entrepreneurs is increasing in all sectors and they mostly involved in activities related to trade, transportation and some other services (Table 7).

**Table 6: Real growth of main sector outputs, SMEs and individual entrepreneurs**

	1999	2000	2001	2002
Industrial output	7.3	3.9	2.2	9.7
Construction	2	1	-11	16.5
Trade	0.5	8	5.6	7.1
Transportation	48.7	60.9	33.7	11.2

Source: NSC

**Table 7: Employment by sectors: SMEs and individual entrepreneurs**

	1999	2000	2001	2002
Employment	211.6	214.3	225.2	214.0
SMEs	116.8	112.9	113.9	91.5
Individual entrepreneurs	94.8	101.4	111.3	122.5
Processing industry	41.6	42.9	43.3	42.2
SMEs	34.5	34.6	34.1	32.3
Individual entrepreneurs	7.1	8.3	9.2	9.9
Construction	21.7	21.0	20.5	18.5
SMEs	21.5	20.8	20.3	18.2
Individual entrepreneurs	0.2	0.2	0.2	0.3
Trade, vehicle maintenance	79.6	80.4	82.2	84.2
SMEs	16.7	17.2	15.6	15.2
Individual entrepreneurs	62.9	63.2	66.6	69.0
Transport and communic.	32.9	33.6	34.1	19.7
SMEs	19.3	19.6	19.6	4.9 <sup>1</sup>
Individual entrepreneurs	13.6	14.0	14.5	14.8

Source: NSC

1- some SMEs in transport and communication were reclassified

Thus, weak development of SME sector and growing shadow economy indicate that SMEs still face significant obstacles for their further growth, despite many positive measures reported by the government. Number of surveys of businesses, financed by donors, also confirms that business environment has hardly improved.

**Kyrgyz Republic: Key macroeconomic indicators**

	2001	2002	2003	2002	2002	2002	2002	2003	2003
			Proj.	I	II	III	IV	I	II
<b>GDP and prices</b>									
GDP real growth (%)	5.3	-0.5	5.3	-2.4	6.5	0.3	4.8	5.2	-0.1
GDP, USD million	1,525	1,603	1,792	265	319	597	431	304	360
Inflation ( % beginning-to-end of period, CPI)	3.7	2.3	4.0	1.1	2.0	-1.7	1.0	2.0	0.5
Deflator GDP (%)	7.3	2.3	4.0	3.6	3.3	4.6	-2.1	4.9	2.2
Wage, average for KR (US\$ per month)	29	36	...	30	33	35	40	37	...
Pension, average for KR (US\$ per month)	12	12	...	12	12	13	13	14	15
Exchange rate (som/\$, avg of period)	48	47	46	48	48	46	46	46	43
REER (end of period, 1997=100, up=depreciation)	107	108	108	108	107	107	108	108	103
RER of som/US\$ (end of period, 1997=100, up=depreciation)	159	154	154	159	155	155	154	150	135
M2 (e.o.p as percent of GDP)	11.1	14.6	15.3	11.6	11.7	13.1	14.6	13.9	14.4
<b>External Sector</b>									
Current account balance (% GDP)	-1.2	-2.2	-2.3	-0.3	-0.1	-0.2	-1.5	0.5	-2.9
Exports (mln US\$, f.o.b.)	480	498	552.8	117	125.0	116.7	139.5	120.4	122.3
- Power	47	22	30.8	2	1.3	15.8	2.7	1.8	1.6
- Gold	227	163	211.1	45	45.8	29.7	42.0	53.6	46.4
- Other	207	313	310.9	69	78	71	95	65.0	74.3
Imports (mln US\$, c.i.f.)	472	587	620.1	135	132	151	170	126.1	175.2
- Food	36	53.2	48.5	13.3	12.8	12.7	14.4	9.4	35.2
- Other consumer goods	137	141	158.5	20.6	36.2	40.7	43.1	33.9	28.8
- Energy	121	152	157.6	45	27.1	34.5	45.4	31.4	39.2
- Other intermediate goods	121	125	134.9	29	29	31	36	25.2	37.9
- Capital goods	58	116	120.6	26	26.4	31.6	31.3	26.3	34.0
External Debt (mln US\$)	1678	1776	1,784.0	1665	1,704.7	1,737.7	1,776.1	1,803.5	1,806.3
Public External Debt (mln US\$)	1442	1576	1,665.7	1429	1,498.0	1,524.0	1,576.4	1,602.4	1,609.9
External Debt (% GDP)	110.0	110.8	99.6	103.9	106.3	108.4	110.8	100.6	100.8
Total debt service to exports of GS (%)	30.8	20.7	25.4	10.0	39.0	9.7	23.4	19.1	26.0
Public debt service to state revenues&grants (%)	27.7	22.6	15.8	11.7	50.8	9.8	19.3	19.5	18.4
FDI (mln \$) <sup>1</sup>	5	5	3.8	5	-12.2	9.0	3.2	1.9	10.4
<b>General Government Budget (percent of GDP)<sup>2</sup></b>									
<b>Revenues and grants</b>	20.4	22.8	22.6	4.6	5.2	6.1	6.8	4.4	6.0
Grants	0.8	1.1	0.8	0.3	0.0	0.3	0.4	0.0	0.1
Tax	12.4	13.9	14.6	2.8	3.3	3.8	4.1	2.7	3.5
Social fund contributions	3.3	3.6	3.4	0.8	0.8	1.0	1.0	0.9	0.9
Nontax and capital	3.8	4.2	3.8	0.7	1.1	1.0	1.3	0.8	1.6
<b>Expenditures</b>	26.2	28.1	27.4	5.7	6.4	7.2	9.4	4.7	6.8
Current (other than interest)	20.5	21.7	20.7	4.5	5.4	5.7	7.7	4.1	5.6
o.w. transfers & subsidies	8.2	8.7	8.4	2.1	2.1	2.3	2.7	1.7	2.2
wages & salaries	4.9	5.6	5.4	1.1	1.3	1.3	1.7	1.0	1.3
Interest payments	1.7	1.6	2.1	0.1	0.3	0.2	0.5	0.1	0.4
Capital	5.3	5.9	5.5	1.2	1.2	1.7	1.8	0.8	1.3
of/which foreign financed PIP	4.4	4.7	4.4	1.0	1.0	1.4	1.3	0.7	1.0
Net lending	-1.1	-1.1	-1.0	-0.1	-0.2	-0.1	-0.2	-0.1	-0.1
<b>Fiscal Balance (accrual)</b>	-5.8	-5.3	-4.7	-1.1	-1.2	-1.1	-2.5	-0.4	-0.8
Memo:									
Primary Deficit (w/o interest and PIP)	0.2	1.0	1.8	0.1	0.2	0.4	-0.8	0.4	0.6
Primary Deficit (w/o interest)	-4.2	-3.7	-2.6	-0.9	-0.9	-1.0	-2.1	-0.2	-0.4

Source: Ministry of Finance, National Statistical Committee, Social Fund, National Bank and World Bank staff calculations.

<sup>1</sup> Includes repayment of FDI related debt

<sup>2</sup> The state budget consolidates central and local budgets and includes the foreign-financed public investment program and the deficit of the social fund, which became an extrabudgetary Fund in 1991. The quarterly data are on cash basis and based on the Treasury reports