

OPENING ADDRESS of the President of Kyrgyz Republic Bakiev K. S. at the Development Forum: Kyrgyzstan 2007-2010

Dear participants of the Forum! Ladies and gentlemen!

I am highly pleased to welcome each participant of the Development Forum on hospitable Kyrgyz land. I would like to express my deep gratitude to donor-countries and international organizations for their expressed interest in future of the Kyrgyz Republic, for your efforts in providing support to long-term sustainable development of our country.

Development Forum is a unique opportunity of carrying on a meaningful dialogue. Today representatives of official authorities, international financial institutions, donor-countries, private sector as well as civil society have sat down at one table. And we have one goal in common - to discuss in conference development prospects of Kyrgyzstan at identifying participation of each of us in this process.

I believe this is important to reflect on achieved results and compare notes with you at such meetings as regards earlier set goals performance.

Since last Consultative Group meeting the country has undergone radical changes. We have had parliamentary elections, pre-term presidential elections, and currently we are in the course of the constitutional reform development along with improving public administration and fiscal decentralization. All these transformations give evidence that Kyrgyzstan is on the way of building up a truly democratic society.

Despite challenges and turbulent developments having arisen after 2005 March events, we managed to surmount risks of economic recession. We were able to maintain macroeconomic stability and sustain the environment necessary for future development.

Today not only the growth trajectory has been reestablished but economic growth has reached upon 9 percent. Investments in economy show increase along with strengthening of the country export capacity.

Strength of the budget has been sustained, fiscal mobilization level was increased and the banking sector has been gaining drive. Over 2 years we were able to increase the national budget revenue part almost twofold that allowed raising pensions and wages of many budgetary organizations. In overall, it promotes real income growth of the population and poverty reduction furtherance.

At making move towards new life we fully realize that this process is complicated and will require sufficient time and efforts. We have to resolve certain outstanding issues and difficulties which have accumulated over last years along with getting over impending challenges yet to come. We have no other alternative but to proceed with deepening of reforms and enhancing efficiency of made efforts.

Today on this occasion I would like to share with you our plans, discuss them and get support in their implementation.

The country strategic development is always a comprehensive, difficult and responsible field of various issues. In the Kyrgyz Republic the overall development vision and the detailed plan of our actions have found reflection in the Country Development Strategy for 2007-2010 which I have approved lately. The Strategy is a key and a sole document identifying the country medium-term development paths.

It should be noted that in the document development process an active dialogue has been carried on with the object of giving proper weigh to interests of the public at large - bodies of state power and local authorities, business structures, civil and international community. Numerous discussions of its key components, resource provision for each measure and need implementation have taken place. The country expectancies and commitments have been taken into account within the framework of various national and international programs and initiatives.

Therefore, the Country Development Strategy may be named without any exaggeration as a national vision of Kyrgyzstan future development.

We have identified as a key priority in the Strategy improvement of living standards level and quality. And it will be possible to achieve this through providing employment, creating of sustainable income-generating enabling environment and maintaining worthy living standards of people.

At the set objectives implementing one of basic outcomes - poverty reduction - will be achieved. During the Strategy realization period poverty will be reduced level from 41 percent down to 30 percent. For this purpose it will be necessary to ensure economic growth at 8-9 percent annually, and provide for increase of real incomes of the population at not less than 40 percent.

This is not an easy task but I am convinced that we can handle it at using joint approach. For achieving this we have to concentrate every our effort on key development aspects. Namely such focused approach will provide for building up a sustainable social and economic architecture of our society and our state.

Efforts of the country will focus on four strategic pillars: (1) strengthening of economic capacity; (2) corruption control; (3) human and social development; and (4) maintaining environmental sustainability.

The task of economic capacity strengthening for medium term shall be crucial for us. At having solid enough economic base we can meet our social engagements in full in areas of education, health and social protection.

First of all, the work on improvement and promotion of favorable business environment and investment climate will be continued. We are strongly committed to take steps on improvement of legal and judicial regulatory framework, fiscal legislation, deregulation of economy, and further development of the financial system and the banking sector.

But in order to sustain the intended high economic growth rates we will need powerful driving force to foster economic development. I am speaking here about development of four key sectors: energy, mining and processing industries, and transport. These sectors of economy are in critical need for deep reforms and therefore, comprehensive support measures will be required.

Next key focus area is governance improvement and corruption control. And here of course, proceeding with constitutional reform will be a main thing. Further strengthening of democratic state foundations, clear roles and responsibilities delineation between the state power branches, and development of true sovereignty of the people will become these reforms outcome.

Crucial efforts for governance improvement lie ahead. We need to establish efficient and fair governance with the effective and transparent administration system having a well-designed structure and functions.

One of strategic directions of the governance improvement is its decentralization. The basic underlying idea is to increase accountability and initiatives of local authorities.

The legal and judicial and law enforcement systems need to be reformed. The basic vector of reforms should be directed on upholding human rights and property, and mainly – rule of law.

I would like to note that during such meetings in the past we jointly emphasized importance of governance improvement and struggle against corruption. However, results achieved up to date namely in this area have not been satisfactory yet although certain developments are visible. I call upon the society at large to struggle against corruption.

Now I believe it is high time to proceed from declarations to actions. In the Strategy we incorporated specific measures on corruption eradication. It assumes taking coherent efforts in all spheres of governance with special emphasis on such basic issues as creating due incentives and providing more adequate compensation of civil servants professional performance.

Issues of human and social development will take a central place in the public policy of the Kyrgyz Republic. They include provision of guaranteed, targeted social services in education, strengthening of health and protection of vulnerable strata of the population.

We have to recognize objectively that today we lack adequate resources to cover all aspects of the social block. A more focused, targeted approach to the public services delivery is required. The Government has been given already an assignment to develop a national standard system aimed at qualitative social services delivery.

Another but not less important area is provision of environmental sustainability and rational natural resources management. We have to concentrate on that due to natural and climatic and historical preconditions. The annual various disaster-caused damage makes about 35-40 million US dollars. Here our primary goal is aimed at taking disaster prevention and mitigation measures

On the other hand, one of competitive advantages of Kyrgyzstan is its nature and water resources. In experts' opinion water in 21st century becomes a strategic resource, and Kyrgyzstan today possess about 25 percent of water resources in the Central Asia region.

Therefore, already today we need to consider this and begin work on rational use of natural resources - waters, woods, and land.

All package of actions in the above-named four areas will become a basis for development opportunities expansion providing for sustainability and growth of well-being of citizens of the republic.

During these two days we will have the opportunity to discuss them in more detail and to share opinions on each of pillars.

Dear participants of the Forum!

In my opinion a great difficulty presents the implementation stage of the planned actions and achievement of end results. Much will depend on our commitment to achievement of intentions, performance discipline, and effective coordination.

Success of our plans embodiment will be affected by certain factors which failed to be resolved over the last years.

Firstly, the problem at issue is Kyrgyzstan's ability to mobilize financial resources. Level of the economy financial mobilization still insignificant in its dimensions and superficial in penetration. And for us it is critical, especially in the context of providing the external debt sustainability.

You all well aware of the fact that the Kyrgyz Republic has refused to join the HIPC and MDRI initiatives. This decision became a voice of the majority of people. Therefore, the republic faces an extremely important task of searching for financial sources domestically to ensure further growth.

Within the Country Development Strategy framework the significant part of resource provision falls at over 50 percent of private investments. Thus, all efforts of the state, business and donor communities should be directed on creating and providing favorable environment for business and investments. Here we need to work on reduction in administrative barriers, improvement of fiscal legislation and development of financial intermediation. Just recently I signed the Law of the Kyrgyz Republic «On the order of carrying checks of business entities».

Development of the financial market and the banking sector has a direct linkage to the private sector capacity development. At the same time, a number of draft laws supporting the financial sector development will be adopted. Draft laws on deposit insurance, legalization of capitals have been developed and are currently under discussion.

The important element in the Strategy will be public finance management improvement. Sufficient progress is achieved in the budget planning process. But still much should be done regarding its execution, first of all, this is a question of resource allocation efficiency, performance control and accountability at all levels - central and local. I signed the decree on taking corresponding actions and set hope on comprehensive support of donor community in its implementation.

Kyrgyzstan will face urgency of the external debt problem in medium term. Therefore, the public debt management strategy which is under development presently stipulates for package of measures on the external debt sustainability achievement, search for the debt burden alternative ways of re-structuring and reduction.

Secondly, tackling the issue of sustaining economic growth will include strengthening of competitiveness, increase of productivity and diversification of the Kyrgyz economy.

I believe there is no need to repeat that we need to improve business improvement in the first place. In fact, issue of the business environment development should run through all our actions of the Development Strategy.

We are going to reduce to a minimum the state intervention at micro-economic level, thus strengthening its presence over there where it actually should be in place, i.e. at macroeconomic level. The state regulation should be limited to creation of "rules of play" for business and implementation of structural adjustments aimed at building up a market economy.

Technological innovations will become an important measure of the labor productivity and competitiveness increase. One of first steps in this direction will be the VAT elimination on import of basic means of production and equipment. The donor community can also assist by providing training in innovations and know-how transfer.

Concentration of efforts of the state, business and donor communities in consideration of the trade policy issues will be required. Despite of positive results of the WTO Kyrgyz trade policy review we failed to realize the export potential to a sufficient degree. Today there exists a unique opportunity to take advantage of rapid development of markets of China, Russia and Kazakhstan, and we welcome their WTO membership.

We should solve the whole complex of issues regarding improvement and simplification of customs administration, optimization of certification and standardization procedures.

Growth of Kyrgyzstan's export opportunities in many respects is impacted by the transit and transport infrastructure conditions. We have only one way of getting out of the situation by development of strategic transport routes passing through the Kyrgyz territory. Initiative of the Central Asia Regional Economic Cooperation fully complies with our intentions of creating transit economic corridors connecting North with the South and the West with the East.

Thirdly, during last years due attention has not been given in the republic to the role of regions in development of the state. But, economic conditions, growth rates, efficiency of the ongoing reforms depend on social and economic activity of regions.

I strongly believe that for the country development we should develop our regions. The state basically will support infrastructural elements, life-support systems of regions and rural areas. This includes construction and maintenance of main roads electric mains, telecommunications, water supply and irrigation systems.

Active reforms are on the way on governance decentralization and local self-government strengthening. However, granting of such broad opportunities to local self-government bodies should be accompanied by strengthening of responsibility, accountability and transparency in their activities. By joint efforts of state bodies, civil and donor communities we should render all possible assistance to completing reforms.

And the overall objective in achieving this should become stimulating of the population economic activity in regions, their living standards improvement and opportunity expansion for development.

Dear participants of the Forum!

Since first years of our independence the donor community renders conceivable support in implementing basic reforms and adjustments.

At taking this opportunity I would like to express words of gratitude to all international organizations and donor-countries for participation and contribution to development of Kyrgyzstan. It should be noted that success of all projects and programs is achieved by joint efforts of the state and society, and they work for the common good. As shows experience in fact there are worthy example in the history of our cooperation really.

At the same time I would like to note that we could still achieve greater results. Recently, during discussion of the HIPS joining issue you have been witnesses of violent discussion of our cooperation results. There was a not uniform opinion about efficiency of the international financial institutions assistance. Various opinions reaching polar points of view concerning the official aid efficiency ha been expressed sometimes.

But, it is obvious that in our country both critics and supporters of international organizations wish to improve quality of development. It is possible at taking into consideration all achievements and weaknesses of our up to date activity.

Today we have a good opportunity to discuss further perspectives of fruitful cooperation. Namely achievement of the Strategy goals and tasks and its actions implementation should become a central cooperation aspect between the Kyrgyz Republic and the international community. Within the framework of the national strategy we assume continuation of donor community active participation in rendering financial, technical, grant and analytical assistance.

We are pleased to know that 5 international donors - Asian Development Bank, the Swiss Economic Cooperation Organization, the UK Department for International Development, the UN agencies, and the World Bank - have prepared the Joint Country Support Strategy during this spring which is coherent and oriented at the country's needs. As a whole such an approach fully complies with harmonization and coordination principles stated in the Paris and Rome Aid Harmonization Declarations.

For us it is doubtless that this Joint Strategy will become not only the effective mechanism but an example to be followed by all donor community on the aid delivery and harmonization to Kyrgyzstan.

We will have to listen more attentively to voice and opinion of civil sector and business community raising an issue of strengthening transparency, efficiency and effectiveness of rendered assistance. Therefore, the work carried out prior to this forum on carrying out of the leading donors projects portfolio review appears to be topical and timely. Today we shall be familiarized with the joint donor aid performance evaluation. Similar work should be carried out on a regular basis and include a greater participation of development partners.

The role of the Government in the donor aid harmonization and coordination should be governing. And this work will be conducted through the prism of the Country Development Strategy implementation. At present the National Strategic Development Council is in place already with assigned basic functions of actions coordination, exercising control and monitoring over the Strategy planned actions performance. The Ministry of Economic Development and Trade will act as a working and responsible body of the National Council.

It is obvious that in the Strategy implementation process each participant will play his role. The legislature will be responsible for providing the statutory and legal framework, executive power will be responsible for practical realization of actions and general coordination and control over the government at all levels.

Civil society is welcomed to involvement in the process by introducing initiatives, participation in the monitoring and evaluation system. Special emphasis will be placed on the Strategy ideas elucidation work propagating among the citizens of the country. Only this way we can provide for participation and support of the population.

Dear participants of the Forum!

I strongly believe that today in this conference hall those people have gathered who really root for the future of our country and wish it peace, stability and prosperity.

As a keystone to success of the Strategy realization will become consolidation of all participants - government, civil sector, private business, and donor community. I would like to stress the main thing: development of multidimensional relations with the international partners is a choice of principle of the Kyrgyz Republic. Expansion of long-term and equitable cooperation with international partners is one of foreign policy priorities of the country. I hope that the today's meeting will allow strengthening dialogue and cooperation between all participants of the Forum.

Today, as never before, well-being of the society and its prosperity depends on open-mindedness of each of us and ability to realize our opinions.

Today we declare about political will and commitment to reforms which are reflected in the Strategy. I hope that the Strategy ideas and plans will meet support among you.

Once again I want to express gratitude to all participants of the Forum for your quest to cooperation.

I wish you all fruitful work!

Thank you very much for your attention!