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NATIONAL SERVICES POLICY REVIEW

OF THE KYRGYZ REPUBLIC

Energy and Tourism Services

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INTRODUCTION

The proposed UNCTAD National Services Policy Review (NSPR) is prepared in view of necessity of conducting country national services assessment. The National review is a systematic vision of economic, regulatory, institutional and trade policy environments, characterising the considered sectors of services with the aim of assisting them in future to improve regulatory and institutional frameworks and to identify trade policy options that advance national development objectives by sectors and generally.

The present NSPR has been developed on the initiative of the Ministry of Economic Development and Trade (hereinafter referred to as MEDT) of the Kyrgyz Republic under technical and consultative assistance provided by UNCTAD. Under the guidance of MEDT Deputy Minister, a Working Group was established consisting of the representatives of MEDT, the Ministry of Industry, Energy and Fuel Resources, the State Agency on Tourism of the Kyrgyz Republic and national independent experts. The draft case study will be submitted for consideration by the relevant ministries and agencies and UNCTAD. Afterwards, taking into account comments and suggestions, a final version of document will be presented to MEDT and the abovementioned ministries and agencies for using in drafting development strategies in relevant sectors and application in drafting program documents.

MEDT, as an initiator of the process, has determined sectors for studying in the proposed NSPR – sectors of energy and tourism services. Those sectors are among the priority sectors determined in the Country Development Strategy for 2009-2011 – a principal document of Government of the Kyrgyz Republic which represents strategic vision of country development for medium term. Today the study of economic and regulatory components is quite important topic and of trade dynamics of sectors of energy and tourism services within the framework of NSPR, including description of policy approaches to promote sectoral and national economic and social objectives.

This document as well as other similar reviews of UNCTAD is aimed at reaching four primary tasks:

1. Manage services reform process
2. Ensure sustainable development gains through services reform, including sectors' contribution to achievement of the National Millennium Development Goals (MDG)
3. Strengthen negotiating capacities on services trade negotiations
4. Monitor results achieved through reforms in services sector

Subsequently, this NSPR will be available for examination by broad range of government, business and civil agencies of the country, and international organizations. After that we hope to receive valuable proposals and comments on the considered issues and as a result we will have an opportunity to clearly identify objectives and ways of development of the indicated sectors of economy.

CHAPTER 1. ECONOMIC ENVIRONMENT

1.1. Macroeconomics

In early 1990s, Kyrgyzstan conducted radical reforms on transition to market economy. The republic’s legislation has been amended with the purpose of establishing the legislative base supporting market economy.

In that time the economic indicators of the Kyrgyz Republic as well as in other countries with economies in transition have experienced initial “transformational decline”. The real GDP sharply fell in early 1990th and the volume of industrial production has decreased by 50% (table 1.1). Since 1996 the macroeconomic stability and growth have been recovered, that tendency was continuing until 2005 when there was reduction of real growth rate of GDP under impact of political events, subsequently the growth has been recovered again.

The aggregate real GDP increases in spite of that in 2008 it remained as 7,3% lower than pre-transition level (1990). The recovery of economy has been supported by market reforms, including transition to regime of relatively open trade in the course of accession to the WTO and adoption of convertible currency in 1993 with floating exchange rate.

Table 1.1. Separate macroeconomic indicators for 1990, 1995 and 2000-2008.

	Unit of measurement	Years										
		1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008
GDP growth rate[1]	%	3,2	-5,4	5,4	5,3	0,0	7,0	7,0	-0,6	2,7	8,2	7,6
GDP to 1990	%	100	50,7	66,5	70,1	70,1	75,0	80,3	79,8	81,8	85,9	92,7
Inflation	%	85	32	18,7	6,9	2,0	3,1	4,1	4,3	5,1	20,1	24,5
FDI	% to GDP	…	3,9	6,6	5,9	7,2	7,6	7,9	8,6	11,3	8,5	9,5
Export	% GDP	…	27,4	36,9	31,1	30,1	30,3	32,5	27,3	28,0	30,3	29,6
Import	% GDP	…	40	40,5	30,5	36,3	37,3	42,5	44,8	60,6	74,6	72,7
Exchange rate[2]	Som/dollar	…	10,84	47,72	48,44	46,94	43,72	42,67	41,01	40,16	37,31	36,57
Quantity of regular population[3]	Mln.people	4,412	4,500	4, 907	4, 946	4, 984	5,037	5,093	5, 139	5,189	5,248	5,252
GDP per capita	Dollars	…	320,9	278,1	308,8	323,4	383,6	435,6	478,4	548,9	731,2	959,4
Unemployment	%	…	…	7,5	7,8	8,6	8,9	9,0	9,7	9,5	11,5	
Poverty level	%	…	…	62,5	56,4	54,8	49,9	45,9	43,1	39,9	35,0	

Source: National Statistical Committee of the Kyrgyz Republic

Virtually the real GDP has been growing continuously since 1996, except 2002 and 2005. In 2007 the growth rate of GDP was a maximum - 8,2 %, in 2008 it was 7,6%. Unstable dynamics of GDP growth rates indicates instability of Kyrgyzstan’s economy and it’s liability to influence of various crisis phenomena caused by external and internal factors. According to assessment of experts, the share of unrecorded economy in the republic has a tendency of growth, thus if in 1999 that indicator was 48%[4], then in 2006 it was 53% of republic’s GDP[5].

[1] to previous year
[2] at average per annum
[3] for start of year
[4] Source: database of UNECE, National reports of human development, 2000.
[5] UNDP «Shadow economy in the Kyrgyz Republic: Trends, assessments and policy options». Bishkek: 2006.

Inflation has fallen from 180,5 % in 1990 to 118,5% in 2000 and remained at the level of one point in 2001- 2006 Since 2007 the growth of inflation is observed (by 20,1% in 2007 and by 24,5% in 2008), caused by advance in prices for food products and power resources the reason for which was the processes at world markets.

Small share of foreign direct investments – about 8% of GDP into the country's economy is kept during the whole considered period. The main source of financing is own funds of enterprises (mainly the funds of enterprises with foreign share in capital). So in 2007 they were – 47,8 % to total volume and investments at the expense of population - 23,4%, share of foreign investments 18,4%.

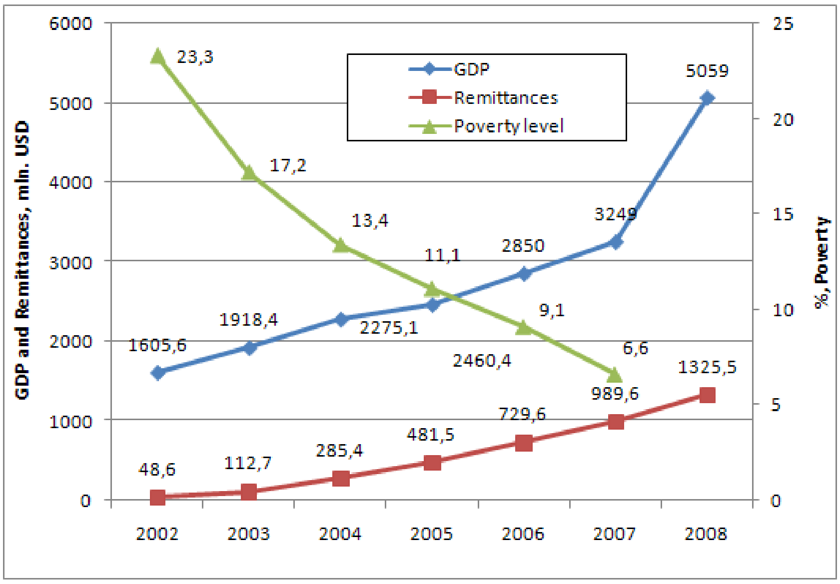
The country's economy at a modern stage of development is quite open: indicator of openness increases thus in 2008 export and import of goods made up 29,6% and 72,7% of GDP correspondingly. Growth rates of goods export substantially fall behind growth rates of import which during 1995-2008 grew up in 7,1 times and export in 3,7 times only.

Economic reforms conducted with the purpose of promotion of growth and reduction of poverty have been on the spot of government programs such as the Comprehensive Development Framework (CDF) until 2010 and the Medium-term Poverty Reduction Strategy until 2005 – the National Strategy for Poverty Reduction (NSPR), and now the Country Development Strategy (CDS, 2009-2011).
According to experts' evaluations, factual unemployment remains quite high, in 2000 it reached 7,5% and in 2007 11,5% (three time high than the official level) [6].

GDP per capita increases after substantial reduction in early 1990th, in 2005 it exceeded almost 1,5times but in 2008 exceeded in 3 times the level of 1995 and reached 963 US dollars. The growth of consumption, especially expenditures of private sector along with production of gold since 1997 and economical upturn of agriculture and services sector mainly contributed to growth of GDP per capita. Recently, the growth of incomes of country's population, the standard of living accordingly exposed to significant impact of transfers of labor migrants. Especially it is related to agriculture, thus according to information of the WB[7], where more than 70% of money resources have come which was mainly determined by region of origin of labor migrants.

6. Data of employment and unemployment levels for 2008 will be calculated by the National Statistical Committee of the Kyrgyz Republic, in the second half of 2009.
[7] World Bank, Migration and money receipts in Eastern Europe and Central Asia, 2006

Drawing.1.1. Receipt by the Kyrgyz Republic of transfers of people working abroad, 2002-2008, million US dollars



Source: NBKR, «Balance of payments». 2003-2009.

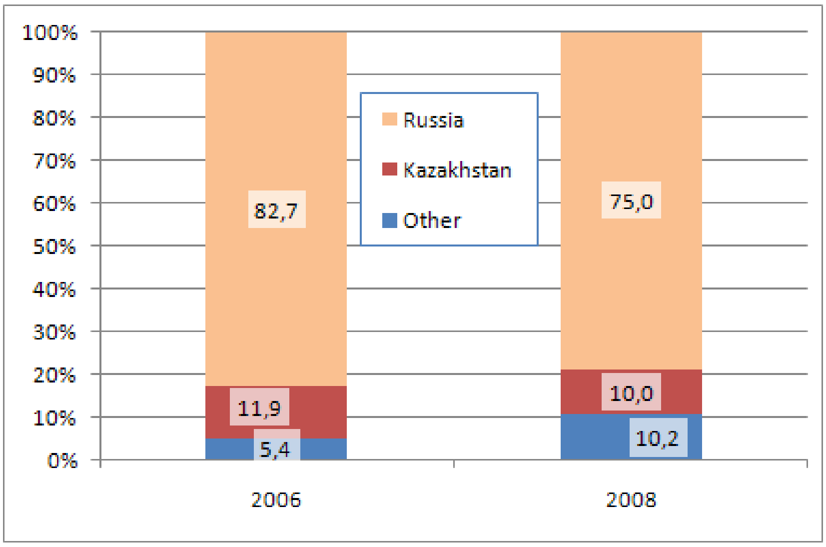
Those financial resources restrain decrease in living standards of the whole population, broad distribution of poverty and destitution serve as an additional source and channel of currency proceeds to the republic and has determined reduction of poverty level which during the period of 2000-2007 was reduced 62,5% to 35%, and the level of extreme poverty from 32,9% to 6,6% (drawing 1) that made a contribution to achievement of the National Millennium Development Goals. It should be noted that the poor population is distributed by regions unevenly where they are in 1,5times more in agricultural area.

According to the NBKR's balance of payment, the volume of transfers has increased for more than 27 times[8] for the period of 7 years (2002-2008) (drawing 1.1).

According to information of the State Committee on Migration and Employment of the Kyrgyz Republic (SCME) in 2006 the number of labor migrants has varied between 350-450 thousand people, the bulk of which was in Russia and Kazakhstan (drawing 1.2). In 2008-2009 the number of labor migrants range from 350-400 thousand people, depending on season, according to SCME the number of labor migrants in countries except CIS remained without changes, but they are left small in Russia and Kazakhstan that has determined the impact of financial crises and changes of migration rules in those countries.

[8] These data are the production of officially registered money transfers and pre-settlement coefficient. Migrant's transfers are determined by the NBKR by evaluation method based on information of migrants quantity, to be received from the National Statistical Committee and by evaluation of the average value of assets imported/exported by migrants (from NBKR's publication «Balance of Payment of the Kyrgyz Republic. 2003-2009»).

Drawing. 1.2. Main countries being left by labor migrants, % of total number of migrant



Source: the State Committee on Migration and Employment

Employment data in sectoral context shows (ADB study[9]) that migrants abroad are mostly employed in construction 45,3%, whole and retail sales 30,4%, the rest is employed in housekeeping and services sector[10]. At the same time the gender separation of migrants' employment is clearly visible: most of women are employed in whole and retail sales, majority of men – in construction. In the structure of labor migrants there are men 51,5%, women 48,5%.

Money transfers have contributed to development of human capacity of the country financing the current consumption of population – about 50 % (for more qualitative food, clothes, medical services, etc.), purchasing health, educational services – 10%, about 5% for entrepreneurship, and the rest for purchasing items of longer usage[11]. Those data state that for those transfers, despite the real opportunities of their usage for investment purposes, there are no due preconditions and terms being established at the state level.

Thus, for recent years, transfers become one of the important factors which positively influence the social situation of the population, improvement of welfare and consequently the reduction of poverty of the country's population (drawing 1), so the transfers contribute to attaining the MDG goals 1-3.

1.2. The role of services sector in the economy of the Kyrgyz Republic

The structural analysis of GDP growth for the last two years shows that increase was ensured at the expense of services sphere mainly. Services sector share in GDP was 49,2% in 2008 and in 2000 it was 41,8% (table 1.2).

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[9] Study on transfers of international migrants in Central Asia and South Caucasus , 2007

[10] No scale studies on labor migrants and evaluation of transfers' effects on country's economy have been conducted.

[11] Всемирный банк, «Миграция и денежные поступления в Восточной Европе и Центральной Азии», 2006

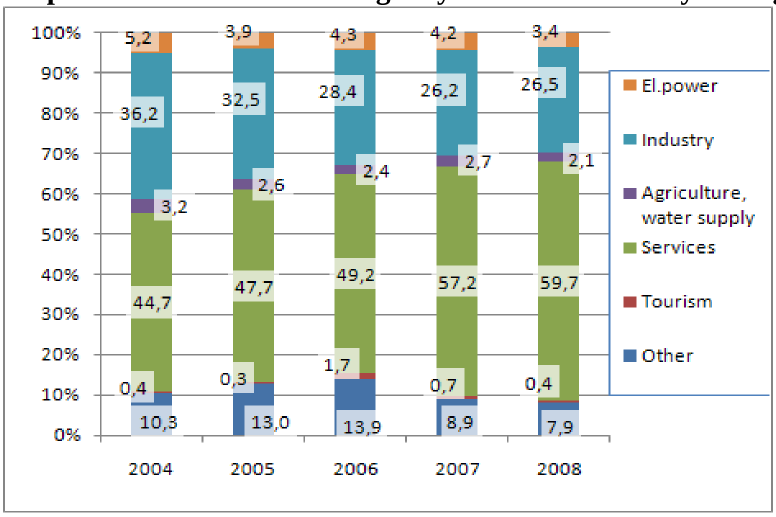
Table 1.2. Share of GDP by sectors, 1990, 1995 and 2000-08, %

	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008
GDP, total	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0
Agriculture	32,7	40,3	33,8	34,5	34,4	33,6	29,9	28,5	28,7	26,9	25,8
Mining industry	...	...	0,5	0,6	0,5	0,5	0,6	0,6	0,5	0,5	0,5
Processing industry	…	…	16,4	17,6	13,0	13,2	15,3	12,9	11,3	9,9	11,3
Services	**40,9**	**40,1**	**41,8**	**40,1**	**43,4**	**43,3**	**44,1**	**47,2**	**47,1**	**49,2**	**49,2**
Production and distribution of power, gas and water			6,4	4,9	4,4	3,6	3,3	3,9	3,1	2,7	2,2
Construction	7,7	6,1	3,8	3,8	3,4	2,9	2,5	2,7	2,7	3,6	3,1
Tourism, incl. hotels and restauran			0,7	0,8	1,1	1,5	1,6	1,3	1,4	1,2	1,3
Trade, repair of cars, household goods and items of personal use	5,4	11,7	12,1	12,2	14,3	15,2	15,9	17,8	18,4	17,9	18,6
Transport and communication	5,6	4,5	3,7	4,2	5,1	5,4	6,4	6,6	6,1	7,4	8,4
Financial activity			0,5	1,1	1,5	1,5	1,9	2,2	2,6	0,8	0,8
Other sectors	7,7	7,0	7,5	7,2	8,7	9,4	10,1	10,8	12,4	13,5	13,2

Source: National Statistical Committee of the Kyrgyz Republic

Accordingly the most volume about 60% of tax receipts to state budget has been observed for this sector for the recent years (drawing 1.3).

Drawing 1.3. Receipt of taxes to the state budget by sectors of economy during 2004-2008, %



Source: The State Committee on Taxes and Dues

As it is seen from table 1.2, services sector was expanded at the expense of growth of wholesale and retail trade mainly, and also improvement of transportation and communication systems. But as usual in agriculture there is the highest employment of economically active population, since about 60% of total population of the country lives in agricultural area. Maximum number of able-bodied population employed in that sector of economy was in 2000 (53,1%, table 1.3), which was conditioned by economic situation in the republic caused by setback in industrial production.

Table 1.3. Employment share by sectors, 1990, 1995 and 2000-2008, %

	1991	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008
Number of employed population, mln. people	1,754	1,642	1,768	1,787	1,85 0	1,931	1,991	2,077	2,096	2,153	
Agriculture	35,5	47,1	53,1	52,8	49,0	43,2	38,9	38,5	36,3	34,5	
Mining industry	0,9	0,6	0,5	0,5	0,4	0,6	0,7	0,6	0,6	0,6	
Processing industry	16,3	10,7	6,4	6,2	6,7	7,3	7,7	7,9	8,5	8,3	
Services	**40,4**	**41,5**	**39,9**	**40,0**	**43,8**	**48,9**	**52,6**	**53,0**	**54,6**	**56,6**	
Production and distribution of power, gas and water	1,0	1,4	1,2	1,2	1,6	1,8	2,0	1,7	1,7	1,8	
Construction	1,0	1,4	1,2	1,2	1,6	1,8	2,0	1,7	1,7	1,8	
Tourism, including hotels and restaurants	5,7 1,6	4,0 0,7	2,5 0,7	2,4 0,7	3,3 1,4	5,3 1,8	7,2 2,2	7,4 2,4	8,7 2,3	9,5 2,7	
Trade, repair of cars, household goods and items of personal use	4,7	6,8	10,6	10,9	11,9	13,4	14,1	14,5	14,7	14,7	
Transport and communication	5,3	4,6	3,6	3,6	4,9	5,1	5,7	5,6	5,7	6,2	
Financial activity	0,4	0,4	0,4	0,5	0,4	0,5	0,4	0,4	0,5	0,5	
Other sectors	6,8	0,1	0,1	0,5							

Source: National Statistical Committee of the Kyrgyz Republic

With recovery of the economy, the share of agriculture in the structure of employed population is reduced, and in 2007 it was 34,5%. The contribution of agriculture to GDP growth rates is reduced accordingly since 2000 as may be seen from table 1.4.

The change of GDP structure has conditioned changes in economic activities of population thus presently the share of able-bodied citizens employed in industrial production is less twice but in services sector it is in 1,4 times more than in 1991. The most rates of growth of employment at an average about 20% per annum was observed in trade, repair of cars, household goods and items of personal use for the period of 1991-2007, the number of population employed in that area increased in 3,8 times. High real growth rates of that area have determined the maximum contribution to republic’s GDP growth in comparison with other sectors of economy (table 4).

The next sector of services field with increasing share in GDP structure and high portion of employment is transport and communications where employment for the period between 1991-2007 has been increased in 1,4 times. Growth of employment and specific weight of that infrastructural sector of services in GDP after 2001 has promoted to increase of contribution of that sphere in growth rates of the republic’s economy which was caused significantly by growth of services rendered by communication enterprises.

It may be noted that the transport sector and auxiliary transport activity was rated as a second according to results of the conducted justification of the country’s economic development priorities on the basis of searching key internal sources of economy development – the so called “economic growth points” in drafting the CDS for 2009-2011. First of all, the priority sector for the Kyrgyz Republic is production and distribution of energy providing the most cumulative impact on other sectors which consume their products, i.e. from the point of elasticity level of sectors.

Table 1.4. Contribution of Sectors to GDP growth rate in 2000 and 2005-2008.

	2000		**2005**		**2006**		**2008**	
	Growth rate, percent	Contribution to GDP growth rate, p.p.	Growth rate, percent	Contribution to GDP growth rate, p.p.	Growth rate, percent	Contribution to GDP growth rate, p.p..	Growth rate, percent	Contribution to GDP growth rate, p.p.
Agriculture	2,6	0,9	-4,2	-1,2	1,7	0,4	0,7	0,2
Mining industry	8,1	0,1	-13,9	-0,1	-4,8	0,0	9,5	0,0
Processing industry	6,0	1,0	-15,6	-2,1	-12,8	-1,5	25,5	2,4
Production and distribution of power, gas and water	5,9	0,4	1,6	0,0	-0,7	0,0	-10,3	-0,2
Construction	20,7	1,5	17,6	0,4	8,5	0,2	-10,8	-0,3
Trade, repair of cars and items of personal use	4,2	0,5	12,1	1,8	14,7	2,8	13,4	2,5
Hotels and restaurants	29,2	0,2	12,4	0,0	19,7	0,3	19,3	0,2
Transport and communication	-19,5	-0,6	12,3	0,7	3,8	0,2	24,1	1,9
Financial activity	84,0	0,4	5,9	0,1	6,0	0,03	9,4	0,1
Other	6,5	0,5	0,8	0,2	1,2	0,3	6,5	0,8
GDP	4,9	4,9	-0,2	-0,2	2,7	2,7	7,6	7,6

Source: National Statistical Committee and National Bank of the Kyrgyz Republic

A certain contribution to increase of employment has been made by tourism sector – about tenth part of economically active population is employed now in tourism and related sectors. Contribution of that sector in country's economy is growing however the presence of high level of unaccounted economy in that sphere must be taken into account. Thus the percentage of concealment of profit and salary in the area of hotels and restaurants calculated according to information of National Accounts for 2004, is high, 45% and 44,6% relatively[12].

From the abovestated it follows that employment in services sphere is growing with higher rates than in material sectors of the country's economy. Data shows (see table 1.1 and 1.3), that with growth of employment in services sector, the income of population has started to increase (GDP per capita) and the level of poverty among population has started to decrease. It should be noted also that there is a significant contribution of money transfers of labor migrants to the development of economy and population's welfare, money transfers of labor migrants who play positive role creating macroeconomic effect in formulating aggregated demand as a result of consumption sustainability.
Thus the development of services sector plays a positive role in development of the country's human capacity and promotes to attaining MDGs.

[12] UNDP «Shadow Economy in the Kyrgyz Republic: Tendencies, assessments and policy options ».Bishkek 2006

CHAPTER 2. NATIONAL ENERGY SERVICES POLICY REVIEW

2.1. The role and effectiveness of energy sector in the national economy

The society's demands in energy are determined by its consumption by population on one hand, and enterprises on the other hand. Energy is necessary for population first of all for satisfying their vital needs and secondly for maintaining of production and entrepreneurship activities as a source of income required for providing welfare and access to services.

Until recently the power industry of the Kyrgyz Republic shared 5% in GDP (table 1.2), 16% of industrial production volume, 10% of state budget income (1990-2000) and around 2% (table 1.3) of employment in the sector. In addition, this sector is a multiplier since it provides production processes in all related sectors. According to estimation of experts one of the reasons of rapid development of clothing sector and increase of employment for the last years was the availability of cheap electric power.

Electric power plays a very important role in development of country's economy providing material production needs and population's needs in energy carriers, and bringing hard currency from export. In addition, the energy sector is one of the basis spheres of social services.

There is a significant macroeconomic dependence of republic on energy sector which able to make impact on the state budget due to (1) its high portion in budget receipts the source of which may be taxes and duties, (2) needs in budget grants and subsidies, presence of debts for state budget, high level of current costs, and finally (3) high share of state debts falling to this sector of economy and resulting financial risks thereof.

As noted in the Country Development Strategy (2009-2011) for the last 5 years, there is stagnation in power industry of Kyrgyzstan. The measures on improvement of activity of power generating enterprises have given no expected results. So far the sector is operated with the capacity of power production cumulated in the last century. Consumption level since 2001 is being kept sustainable at the rate of 2% per year, therefore for the last years the shortage of power has emerged.

It is specified that the energy sector relates to the number of sectors the specific weight of which in country's economy is reducing for recent years. Thus the portion of sector of **production and distribution of electric power, gas and water** generally was reduced in the structure of GDP by types of economic activity from 6,4% in 2000 to 2,2% in 2008., that period its contribution to GDP growth rates was even negative (table 1.4). The average rate of growth of value added cost of energy in 2005-2008 is zero that resulted in relative decline in share of energy sector in GDP structure.

Since 2007 because of aridity and lack of required volume of fuel in heating stations, the limitations of power consumption have been entered thus in 2008. The scheduled restrictions were over 31%, power production has been decreased by 30%. There were fan cuttings which created inconveniences both for population and industrial production. In 2009 the Ministry of Industry, Energy and Fuel Resources suggest limitations at 18% volume. The lack of necessary amount of energy and fan cuttings, disturbing production processes, has resulted in the decrease of industry in other real sectors of economy. For 5 months of 2009 the volume of production in industry has decreased by 20,2 percent. Reduction in industrial products volume is explained by the problems in energy sector, which led to delay in growth rates in some of budget-forming enterprises, and by increase of external and internal demand. In particular, the volume of production of construction materials has decreased from the beginning of year by 63,3%, textile and sewing goods by 42,2%, electronic and optical equipment by 35,1%, though it may be noted that fault for decrease in production is attributed not only to energy

sector, in many respects it is conditioned by the reduction in demand of consumers from neighboring countries.
Experts consider that the problems of our national power system partly lie in inappropriate technological operation of the system.

The country's energy sector is controlled by the state, there are some state-owned companies dominating within it. Despite the presence of energy sources, including hydropower, the Kyrgyz Republic depends on import of oil, gas and coal.

Currently the energy sector is restructured by functional features: power generation, transmission and distribution.

To satisfy populations' needs and industrial production in power resources and eliminate problems of energy sector, a **system of indicators of energy services sector** determining the directions and parameters of sector development was developed[13]:

1. Power production - 12,3 billion kWt. This indicator determines the volume of power production which will ensure balanced development of economy and energy security of the republic.

2. Export volume – 1000 million kWth, annually until 2011. Kyrgyzstan (in electric power) has a sufficient export potential, representing economic attractiveness for neighboring countries in the region. So far at the expense of exporting electric power, we can cover its shortage in winter time.

3. The level of power losses in distribution networks is up to 27% by 2011.
4. Collection of payments for electric power consumed will be 97 % by 2011. Those two indicators characterize reduction of quasifiscal deficit in electric power and improvement of reliability of power supplies to domestic consumers.

5. Tariff for electric power is 1,66 som/kWth by 2012. This indicator determines the level of prices for electric power enabling to cover the costs. In tariff structure for power it is expected that it includes profit element for investment return that will increase investment attractiveness of the sector. It should be noted that the indicators 3-5 will contribute to financial recovery of fuel and energy complex.

6. Coal production – 1479 thousand tons for 2009-2011.
7. Gas production – 51 million cubic meters for 2009-2011.
8. Oil production – 237 thousand tons for 2009-2011. Those three indicators determine a minimum possible level of production of fuel and energy resources in the republic, to satisfy consumers' needs.

9. Development and adoption of Government Resolution on energy saving. This indicator will contribute to effective and rational use of electric power. It is expected that there will be developed a Program of reduction of GDP energy intensity by 13%. To achieve the indicated objective, energy saving sectoral subprograms will be developed.

10. Conduction of reforms:
- concession or privatization of distribution electric power companies 2012;
- establishment of an independent regulatory body in power industry 2012;
- development and adoption of package of rules and regulations on operation of energy market.

Conducting reforms enable economic and financial recovery of fuel and energy complex, improvement of sector management and enhancing reliability of power supplies.

[13] Indicators 6-10 are determined in CDS, Decree of President of the Kyrgyz Republic №183 as of 31 March 2009.

With a purpose of achieving the above indicators of energy sector, we will make analysis of the state of energy sector; discover strengths and weaknesses, opportunities and threats to that sector.

The current status of energy services sector of Kyrgyzstan

Kyrgyz Republic has 2% of energy resources of Central Asia, 50% of coal reserves and 30% of hydropower resources of which only tenth part has been developed. Structure of energy balance of the republic includes import with more than 50%, which comprises of oil products, gas, coal. Table 1.5 shows the structure of energy balance (EB) for last years and 3 scenarios of its future development.

Table 2.1. Consumption of Energy Balance within republic и forecast until 2025

					scenario 1				**scenario 2**			
	Unit of measurement	2001	2005	2006	2010	2015	2020	2025	2010	2015	2020	2025
Electric power	mln. kWh.	6780	7095	7185	10104	13074	15280	18030	10262	13074	18230	22640
Natural gas	mln.cubic meters	675,5	626,9	666	700	710	730	750	525	465	425	375
Coal	thousand t.	1123	1254	1208	1770	2060	2190	2405	3270	5060	5190	5405
Oil	thousand t.	75,5	80,2	80	99	99,6	105,6	112	99	99,6	105,6	112
Diesel oil	thousand t.	160	130,3	136,4	176	220	280	340	176	272	320	390
Motor petrol	thousand t.	194	271	322	350	360	380	420	320	360	410	680
Fuel oil	thousand t.	77	56,6	60,8	68	70	80	90	68	70	80	90

Source: National Statistical Committee of the Kyrgyz Republic, EB of KR 1990-2001 and EB of KR (1999, 2001, 2005).

Let's consider in detail each component of EB having started from power industry as a main component in power supply of the country. It may be noted that we do not use nuclear technology due to high seismicity of country.

Power industry

The existing electric power network provides access to electric power practically for the whole population except for some summer pastures, geological exploration areas and weather stations and other specific consumers having independent power supply. Electric power consumption per capita in 2007 was 2379 kWh.

Hydropower capacity of 252 large and medium rivers is estimated for 18,5 million kWh power and more than 160 billion kWh electric power. Potential of hydropower resources of small rivers and drainage systems makes up 5-8 billion kWh per annum. Today less than 10% of existing opportunities are used.

Today, electric power industry includes 17 electric stations (drawing 1.1) with overall power 3,68 million kWh, including:

- 2 heating electric stations with power 0,73 million Kwh.;
- 15 hydropower stations with power 2,95 million kWh;
- More than 70 thousand power transmission lines with voltage 0,4-500 kilovolt, of which 546 km – lines 500 KV, 1714 km – lines 220 KV and 4380 km – lines 110 KV;
- 490 transformer stations with voltage 35-500 KV with overall power more than 8000 MW.

Restructuring of state monopolist «Kyrgyzenergo» started in 2001 with separation of its activity into receiving and transporting of power with retaining of state monopolist and distribution of energy by distributing companies. Generating and transmitting energy company is not subject to further privatization according to legislation of the Kyrgyz

Republic. 93 percent of those companies belong to the state and are governed by special government body.

There was established one heat Distribution Company – JSC «Bishkekteploset» and four electricity distribution companies: JSC «Severelektro», combining Chui, Bishkek and Talas Transmission Electric Station (TES). JSC «Severelektro» has also received for its ownership Kemin small hydropower station. JSC «Vostokelektro», uniting Naryn and Issyk-Kul TESs; JSC «Oshelektro» and JSC «Djalal-Abadelektro». These distribution companies were reincorporated and have the status of open joint-stock company, in future they were supposed to be privatized step by step.

Drawing 2.1. Scheme of location of existing and prospective HPS

In October 2001 there was a separation of electric Heat stations in Bishkek and Osh, Atbashy hydropower station (HPS), cascade of Toktogul HPS, enterprises of constructing HPS with establishment on their basis JSC «Electric stations». There was established a transmitting company JSC «National electric network of Kyrgyzstan»on the base of JSC «Kyrgyzenergo» (as a successor of JSC "Kyrgyzenergo"), which includes central control service, high-voltage lines of electric transmission with 110 KV and higher (and separate areas of electric networks with 35 KV of republican meaning). In January 2002 for the ownership of electric distribution companies, 35KV of transmission lines of republican importance were handed over.

Restructuring allowed involving private sector in production of electric power, at present there are operating such private companies as JSC «Chakan HPS», JSC «Kalininskaya HPS», JSC «Issyk-Ata HPS» and JSC «Kemin HPS». The largest of them is JSC «Chakan HPS», it consists of 8 hydropower stations with overall power 29,78 mWh. Power of remaining hydropower stations: JSC «Issyk-Ata HPS»- 1,6 mWh, JSC «Kalininskaya HPS» - 1,5 mWh, JSC «Kemin HPS» - 11,2 mWh. Several private companies operate on distribution of energy, their volume of power distribution does not make up even 1% of total energy. In accordance with the law "On special status of Toktogul HPS" hydroelectric power stations included in "Cascade of Toktogul HPS" can not be privatized, which incorporates relevant stations: Toktogul HPS – 1200mWh, Kurpsay HPS- 800mWh, Tash-Kumyr HPS – 450mWh, Shamaldy-Say HPS – 360mWh and Uch-Kurgan HPS -120mWh. High-voltage electric networks of JSC "National electric networks of Kyrgyzstan" with voltage 500, 220, 110 KV should not be privatized too. However the law allows constructing new generating stations of any power with participation of private sector or 100% private station. In particular, the construction of Kambar-Ata HPS-2 with power 360mWh is carrying out today under financing of Government and JSC «Electric stations». The agreement is also concluded between Kyrgyzstan and Russia on joint construction of Kambar-Ata HPS-1 with power

1900mWh, which will be a private joint-stock company. in 2007 there was announced a tendet for privatization of the largest distribution company JSC «Severlektro», Bishkek Heat Station with installed power 690mWh and Bishkek heat networks in single package. However the world financial crisis showed that it is hard to find investor for such great energy object. Now the work is going on conducting of audit and estimation of the rest distribution companies for the purpose of tender announcement for their privatization.

In 2008 the power plants of the country have generated electricity 11,6 billion kWh with reduction of rates almost to 79,5% in comparison to previous year. At the same time underproduction of electric power at Station has been compensated by increase in generation at Heat Station which in 2008 made up 1,01 billion kWh or 126% from 2007. Dynamics of total balance of electric power is shown in table 2.2.

Table 2.2. Energy balance, million kWh

	1991	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
Industry	3509	1939	1843	1784	1531	1369	1222	1101	1315	**1 311**	**1 305**	**1 453**	**1 576**	**1 572**
Other	1178	1147	1148	1216	1262	1365	1456	1597	1497	642	712	743	802	813
Agriculture consumers	1986	921	677	661	656	586	526	380	97	**68**	**57**	**71**	**56**	**70**
Population total	1455	2747	2573	2964	3802	4455	3329	3061	4077	**3 806**	**3 934**	**3 772**	**3 899**	**3 613**
Systems losses	1064	4553	4371	3930	3740	3839	4976	4866	4996	5142	3979	3813	3694	2859
Domestic market	**9192**	**11307**	**10612**	**10555**	**10991**	**11615**	**11510** **11614**	**11004** **11005**	**11982**	**11740** **11969**	**10229** **9987**	**10000** **9852**	**10229** **10027**	**9046** **8927**
Net export	4292	2061	1681	610	1765	2833	2165	1061	1709	3382	2577	2441	2379	543

Source: Ministry of Industry, Energy and Fuel Resources of the KR

Oil products and gas

Oil and gas. Forecasted geological resources of hydrocarbon raw materials in Fergana valley make up from 145 to 260 million tons. 15 oil, gas and oil-and-gas deposits are under operation. Extracted oil reserves comprise 11,3 million tons, natural gas of industrial category – 4,8 billion cubic meters. Field and technical equipment wear reaches more than 75%. In 2007 the growth of oil production was 3,7% (71 thousand t.) and 12,3% (17,3 million cubic meters) growth of natural gas production has been reached at the expense of contribution of Chinese investors to repair of stopped wells. In 2008 the level of production of 2007 was kept at the expense of introduction of new technology of horizontal drill and intensification of wells, and drilling of new production wells.

The state enterprise «Kyrgyzneftegas» (Kyrgyz oil and gas) has the status of natural monopolist, for anti-monopolist purposes it takes responsibility for exploration, production, processing, transportation and storage of oil and gas products and holds share in joint enterprises, including contracts on shared production (agreements on production share). Fee for connection to networks and gas pipes is determined by the State Department on Regulation of Fuel and Energy Complex (SDRFEC), the value of which is identified by power (electric power) or volume (natural gas). The company's costs for connection are broke down by years and will be paid during ten years but not more than 25 years.

Involvement of private sector in exploration, production, collection, transportation and storage is permitted and there is no barrier. Private companies and persons are allowed participating in oil transmission and distribution, commercialization.

A license for oil exploration and development is issued by the State Agency on Geology jointly with «Kyrgyzneftegas». Use of areas for exploration purposes is limited by the following: 1000 sq.km for two-three years with minimum level of annual investment in the amount of 50 US dollars per m^2, or 100 US dollars per m^2 depending on type of renting. License for development is issued for ten years with the condition of providing annual reporting.

Oil and natural gas production has minor volumes and for 1991 – 2005 it is reduced in 2,2 times for oil and in 3,8 times for gas. The level of natural gas production decreases as a result of deposit production, equipment wear, and due to lack of financing. According to forecasts in 2010 and further it is planned that there will be produced about 30 million cubic meters of gas per annum. 2 companies operate with production of oil and gas. They are: JSC «Kyrgyzneftegas» and JSC «Batkenneftegas».

In long-term perspective, provision of further growth is possible only at the expense of exploration of new deposits on prospective areas, predictive reserves of which are estimated in Fergana valley 109 million tons of reference fuel (t.r.f.), Alay valley – 50 mln. t.r.f., Naryn valley – 75 mln. t.r.f., Issyk-Kul valley – 25 mln. t.r.f., Eastern-Chui valley – 30 mln. t.r.f. For period until 2010, drilling of 174 new development wells; and deep drill is scheduled.

Table 2.3. Balance of oil products for 1990-2008, expected for 2009-2010 and forecast until 2025[14], thousand tons.

	1990	**2001**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2015**	**2020**	**2025**
Oil balance											
Resources	162	87,5	90,4	84,1	95,2	103	111	118	118	120	126
Production	155	75,5	77,9	70,6	68,2	78	80	82	82	85	90
Received by import	-	-	5,1	6,1	17	17	17	17	17	17	17
Balance for beginning of year	7	12	7,4	7,4	10,2	8	14	19	19	18	19
Distribution	162	87,5	90,4	84,1	95,2	103	111	118	118	120	126
Consumed within republic	3	75,5	80,2	80	85,2	95	97	99	99,6	105,6	112
Losses	2	-			2	2	2	2	1,4	2,4	2
Released for export	151	-									
Balance for end of year	6	12	10,2	4,1	102	103	111	118	17	12	12
Balance of diesel fuel											
	1990	2001	2005	2006	2007	2008	2009	2010	2015	2020	2025
Resources	696	178	173,9	181,4	199,9	192	193	194	293	350	420
Production	-	43,4	31,43	31,2	51,9	33	34	36	40	45	55
Receipt by import	616	95	128,9	136,2	135	145	145	145	230	280	340
Balance for beginning of year	80	39,6	13,6	14	13	14	14	14	23	25	25
Distribution	696	178	173,9	181,4	199,9	192	193	194	293	350	420
Consumed within republic	622	160	130,3	136,4	175,9	170	173	176	272	320	390
Losses	-	0	0,7	0,8	0,7	0,7	0,7	0,7	1	2	3
Released for export	24	0,6	19,1	19,1	1,63	1,63	1,63	1,63	3	4	5
Balance for end of year	50	17,4	23,7	26,1	21,67	19,67	17,67	15,67	17	24	22
Balance of motor petrol											
Resources	737	200,1	305,8	355,5	352	388	390	390	405	430	475
Production	-	45,2	13	11,4	12	18	20	20	25	30	35
Received by import	713	101,9	273,6	324,1	320	350	350	350	360	380	420
Balance for beginning of year	24	53	19	20	20	20	20	20	20	20	20
Distribution	737	200,1	305,8	355,5	352	388	390	390	405	430	475
Consumed within republic	682	194	271	322,5	327	340	345	350	360	380	420
Losses	-	0	6,7	7							
Released for export	20	0	5,4	6	5	5	5	5	5	10	15
Balance for end of year	35	6,1	22,7	20	20	48	30	35	30	40	40

[14] Forecasting figures on oil production will be corrected as long as OJSC “Gazprom” and OJSC “Kyrgyzneftegas” finish their exploration works.

Balance of fuel oil											
Resources	1184	125,8	100,1	76,8	91,88	81,08	82,288	83,288	90	100	105
Production	-	42,2	41,7	42,1	54,1	48	50	52	54	57	60
Received by import	1006	20,4	14	1,7	20	18	17	16	16	20	25
Balance for beginning of year	178	63,2	44,4	33	17,788	15,08	15,288	15,288	20	23	20
Distribution	1184	125,8	100,1	76,8	92,88	81,08	82,288	83,288	90	100	105
Domestically consumed	1027	77	56,6	60,8	74,1	66	67	68	70	80	90
Losses	1	-	0	0							
Released for export	-	2,1	10,2	0	2,78	0	0	0	0	0	0
Balance for end of year	156	46,7	33,3	16	15,08	15,08	15,288	14,788	20	20	15

Source: National Statistical Committee of the Kyrgyz Republic, EB of KR 1990-2001 and EB (1999, 2001-2005), Bishkek 2002, 2006.

Production of oil products in Kyrgyzstan is very minor; there is only one oil processing plant in Djalal-Abad with output capacity 250 thousand tones per year.

The above given small volumes of production, import and processing of oil can not satisfy the growing needs of the country in light oil products. To cover needs in oil products, it is necessary to increase volumes of import: gasoline from 286,5 thousand t. to 295 thousand t. by 2010 and up to 495 thousand tons by 2025; diesel oil from 133,4 thousand tons by 2010 and up to 350 thousand tons by 2025; fuel oil from 17,2 thousand tons to 27 thousand tons by 2010; and increase of oil production in republic and its processing correspondingly with gasoline recovery from 12,9 thousand tons in 2005 up to 25 and 55 thousand tons by 2010 and 2025, diesel oil from 31,4 thousand tons in 2005 to 36 thousand tons by 2010 and up to 65 thousand tons by 2025.

Structural policy in oil-and-gas industry largely will be connected with improvement of tax policy on regulation of subsoil use, attraction of direct investments for development and production of new deposits of oil and gas, and loading of enterprises for full capacity on processing of oil in the republic. Gas industry development policy will be aimed at creating conditions for providing reliable gas supply and carrying out activities on liberalization of market.

Gas. Equipment wear – 80%, loss of natural gas reaches 110 million cubic meters accordingly or more than 10%. There is a need for replacement of 119,4 km main and 90 km medium and low-pressure gas lines. To perform works on enhancement of reliability of gas pipelines and gas-technical facilities in north of the republic, about 2 billion soms are required.

Gas supply. Natural gas supply in the volume of 750 million cubic meters per year, including direct contractual supplies 300 million cubic meters is done by JSC «Kyrgyzgas». Transit of natural gas is made for consumers of Fergana valley of the Republic of Uzbekistan.

Natural gas is transported by main (high pressure) gas pipelines and distributed by gas lines of low pressure. There is no gasholder and propane tank in Kyrgyzstan.

JSC «Kyrgyzgas» is a natural monopolist, it has and carries out management of systems of transportation and distribution of gas, it operates 753 km. main, 657 km. medium-pressure and 1679 km. low-pressure gas pipelines. «Kyrgyzgas» Company supplies gas directly to large consumers and companies selling a gas. It is an authorized monopoly. Anti-monopoly agency establishes tariffs based on cost recovery and profit level, and licenses gas enterprises.

Tendency of constant growth of import prices for natural gas is kept, for the last 2 years, prices have risen from 45 US dollars per 1000 cubic meters up to 145 US dollars in 2008 and up to 240US dollars per 1000 thousand cubic meters in 2009.

Table 2.4. Gas balance for 1990-2006, and forecast for 2010-2025 [15].

by scenarios, (million cubic meters)

	1990	**1995**	**2001**	**2005**	**2006**	**scenario 1**				**scenario 2**			
						2010	**2015**	**2020**	**2025**	**2010**	**2015**	**2020**	**2025**
Resources	2174	882,3	698,5	736,2	766,3	804	825	850	880	-	-	-	-
Production	96	35,7	32,8	25,1	19,4	20	30	30	30	30	50	60	70
Received by import	2078	846,6	665,7	711	746,9	784	795	820	850	555	485	425	355
Distribution	2174	882,3	698,5	736,2	766,3	804	825	850	880	585	535	485	425
Consumed domestically	2076	856,2	675,5	626,9	666	700	710	730	750	525	465	425	375
Losses	38	26,1	23	109,3	100,2	104	115	120	130	80	70	60	50

Source: National Statistical Committee of the KR, EB of the KR 1990-2001, (1999, 2001-2005), Bishkek 2002, 2006.

According to forecast of natural gas balance for the period until 2025, it is expected that there will be:

- Reduction in gas production from 32,2 mln. cubic meters in 2005 to 30 mln. cubic meters by 2010 and by 2025;
- Growth of consumption (without losses) of natural gas from 624 mln. cubic meters in 2005 to 692 mln. cubic meters by 2010 and up to 750 mln. cubic meters by 2025;
- Import growth from 711 mln. cubic meters in 2005 to 784 mln. cubic meters by 2010 and up to 847 mln. cubic meters by 2025;
- Minor development of import is connected to the expected growth of prices for natural gas at world market and CIS market.

As may be seen from table 1.10 Kyrgyzstan will not be able to provide itself in far perspective with natural gas and will be depending on import.

Development of gas supply system will be carried out on the basis of Program on Privatization Country’s Gas Equipment, reconstruction and development of gas-transport networks in coordination with planned volumes of gas consumption and enhancing of state regulation.

Currently audit and estimation goes on for the purpose of tender announcement in gas company JSC «Kyrgyzgas» and oil company JSC «Kyrgyzneftegas» for privatization.

Coal

There are 70 coal deposits known on territory of the Kyrgyz Republic, the overall reserve of which makes up 1,3 billion tons. In fuel-energy complex of the Kyrgyz Republic, the portion of coal makes up 9,5% (2005). At the same time Kyrgyz coal comprises in total 17,5% of quantity consumed and import of coal is more than 82%. The coal industry consists of 30 coal companies where 1933 people work (2007.). Coal-producing companies are registered as authorized monopolies and anti-monopoly agency approves wholesale prices for coal. Unsuccessful efforts to privatize coal deposits mainly reflect low level of commercial vitality of projects.

Coal consumption per capita at the average was reduced from 0,24 tons in 2005 to 0,22 tons in 2007 which directly related to growth of electricity consumption.

Deterioration of the equipment of coal industry exceeds 90 %. Because of high accounts receivable, there is a lack of circulating assets that affects quality of repair work of mountain techniques, motorways, inopportuneness of carrying out overburden operations for

[15] Forecasting figures on gas production will be corrected as long as OJSC “Gazprom” and OJSC “Kyrgyzneftegaz” finish their exploration activities.

preparation of coal mining front. In the condition of crisis state of fuel-energy complex and transition to firm fuel, because of deficiency of development of the electric power, the coal industry should be reanimated for escalating of volumes of coal output and satisfaction of internal demand. Data of last years show, that the volume of consumption of coal in republic is enough constant. Potential possibilities of extraction of domestic coals reach 1 million tons a year.

Actual manufacture of domestic coal is not significant and makes up a quarter in volume of its consumption (2005 - 331,8 thousand tons or 23,8 %) and a third of import supplies (2005- 32,7 %).

Import of coal is not limited; there is no any requirement for state-owned companies for using local coal.

The need of fuel-energy complex of Bishkek city in coal makes up 850 thousand tons, from which 100 thousand tons is provided by domestic producers (70 thousand tons – Karakeche and 30 thousand tons – Tashkumyr) and 750 thousand tons – on import. Kyrgyzstan has an opportunity of to provide itself with coal in the long term. It is necessary to develop the program of privatization of coal sector, to create conditions for involvement of private sector. Develop and introduce mechanisms of the market economy, allowing at the expense of a competition to lower expenses and accordingly the cost price.

Table 2.5. Balance of coal of the Kyrgyz Republic for 1990-2008 and forecast for 2010-2025 according to scenarios, thousand tons

	1990	**1995**	**2001**	**2005**	**2006**	scenario 1				scenario 2			
Years						**2010**	**2015**	**2020**	**2025**	**2010**	**2015**	**2020**	**2025**
Resources	7660	1816	1645	1912	1828	2466	2700	2850	3050	3900	5700	5850	6050
Production	3742	463	512,6	335,8	321,1	462	1000	1350	1700	1960	4100	4350	4700
Received by import	2911	499	344	981,3	907,5	1120	1010	900	750	1180	1010	900	750
Balance for beginning f year	1007	853	788,5	596,2	600	640	690	600	600	560	590	600	600
Distribution	7660	1816	1645	1912	1828	2406	2700	2850	3050	3900	5700	5850	6050
Consumed within the republic	4765	1162	1123	1254	1208,	1770	2060	2190	2405	3270	5060	5190	5405
Released for export	1917	170	28,5	8,8	10	100	200	200	200	100	200	200	200
Balance for end of year	957	466	493,4	619,7	620	536	437	460	440	528	437	457	441

Source: National Statistical Committee of the KR, EB of the KR 1990-2001, (1999, 2001-2005), Bishkek, 2002, 2006.

In accordance with forecast of coal balance for 2010 and period until 2025 it is expected that there will be:

- growth of coal mining by 2010 in comparison with 2005 in 1,9 times, by 2015 in 3 times, by 2020 in 4 times, by 2025 in 5 times or from 331 thousand tons to 1700 thousand tons based on the first scenario; according to the second scenario in case of construction of Kavak HPS with a capacity 1200 MW, there will be necessity for preparation to accelerated development of Kara-Keche deposit with bringing its capacity to 3 million tons of coal per year by purchasing the required mining-transport equipment and machinery. At the cost of that, growth of coal mining by 2010 is assumed, from among the planned 660 thousand tons to 2,16 million tons, by 2015 to 4,1 million tons against 1,0 million tons, by 2025 to 4,7 million tons against 1,7 million tons provided for according to the first scenario; gradual reduction of import of coal from 1,013 million tons in 2005 to 750 thousand tons by 2025;

- encrease of coal export to China in 2 times from 100 thousand tons in 2005 to 200 thousand tons by 2010 and further by 2025 and minor volumes to neighboring states Tajikistan and Uzbekistan.

Technical regulations and standards

With respect to electric facilities, power generation facilities, distribution networks and electric power transmissions of the republic, the standards and rules of former USSR and Russia[16] are applied which in terms of description complies with international standards, the differences are only in quantitative rules, thus e.g. frequency errors are made to a greater extent than in European and American standards.
For oil, accounting is made only for admixtures; no any other standard is applied. (CO2, SO2, NOX paraffin.

Qualitative characteristics of oil: Oil parameters on which they are characterized - sulphur content, density, viscosity, paraffin, for example - oil - type "Dubai" corresponding to the standard № 9665-76, slightly sulphurous, density 0,857 0,870/cm. cube, viscosity - from 27-38 стокс, paraffin-5-11 of %, sulfurs from 0,21-0,25 %, fractional yield at 300C makes up 38-42 %, dissolved oil gas methane from 3 to 70 %, ethane from 15 to 25 %, propane from 8 to 22 %, butane from 3 to 11 %.

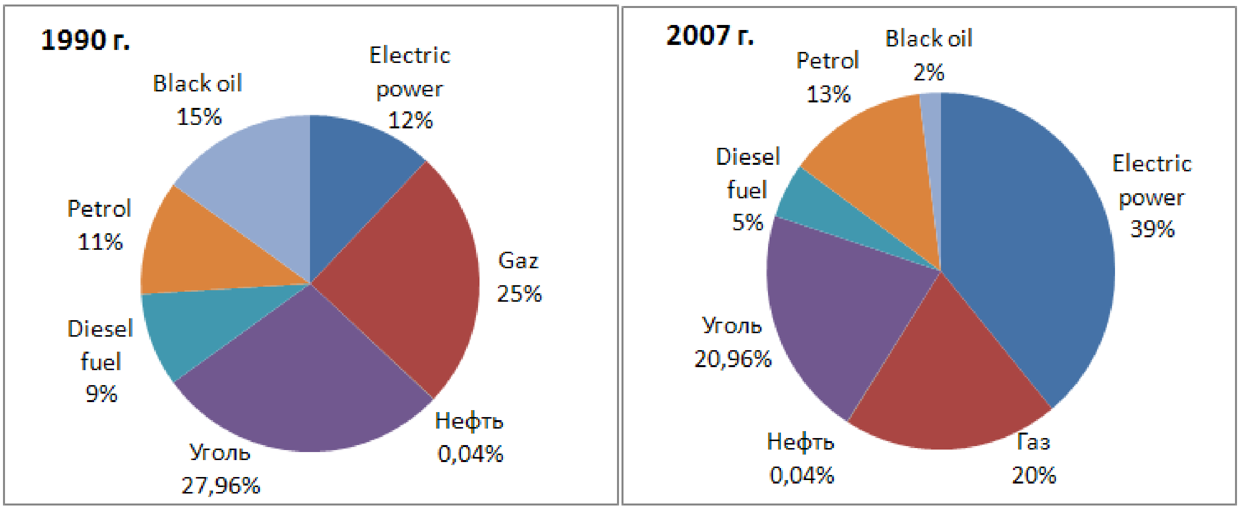
Technical regulations and standards of USSR - heating capacity, dryness are also applied to natural gas. As Kyrgyzstan is a landlocked country, no facilities and equipment on liquefied natural gas are used (LNG) (e.g. technical specifications for clearance and compressor of liquefied natural gas, tanks for storage and tankers for transportation by ocean, terminals for shipment and discharge of vessels with liquefied natural gas).
Coal is controlled for heating capacity according to USSR rules[17]. Ordinary technology of combustion is applied. No any new technology, including gasification, boiling bed, clean burning technology, etc is applied.

2.2. The structure of energy services sector market

Now, the largest OJSC "Severelektro", which provides Bishkek city, Chui and Talas provinces with electric power consists of 16 regional electric networks (REN) and 460066 subscribers, OJSC "Vostokelektro" accordingly 14 - REN and 182063 subscribers, OJSC "Oshelektro" - 12 REN and 310836 subscribers, OJSC "Djalalabatelektro" - 12 REN and 180293 subscribers, OJSC «Bishkek teploset» (Heating network) which also provides 68 % of housing with heat comprising of 1312 domestic houses.

[16] According to information of MEDT KR, so far the level of harmonization of national standards with international ones makes up about 50 %.
[17] Annex №1 lists technical characteristics of coal produced at deposits of republic.

Drawing 2.1. Structure of consumption of fuel-energy resources in 1990 and 2007



In early 90th the population consumed 16%, budget – 19%; industry, agriculture, commercial consumers – 65% of electricity. At the same time, the production of coal was more than 5 million tons a year from which 4,5 mln. tons was consumed inside the republic, natural gas was 2,5 billion cube meters, reduced fuel oil was 600 thousand tons.

At present the structure of electricity consumption has changed as follows: population - 63%, budget – 12%; industry, agriculture, commercial consumers – 25%. However coal consumption is in total 1,609 mln.tons, gas – 0,664 billion cubic meters and fuel oil 37 thousand tons.

Today heating, hot water supply and food provision is fully carried out at the expense of electricity, if 1990 population consumed 1 billion kWh, then in 2008 – already 3,6 billion kWh, during strong seasonal fluctuation: winter consumption of electricity is in 3,5 times more than in summer.

Thus, consumption of coal by the population has decreased about three, gas of four, black oil of 16 times, but consumption of electricity has increased in 3,6 times. Accordingly, as may be seen from drawing 2.1, the general structure of consumption of fuel and energy resources of republic has changed towards increase of electricity consumption for more than three times, and consumption of coal, gas and mineral oil (except gasoline and crude oil) has decreased.

It may be noted that the growth of energy content of real sector is observed, so in the **industry** according to National Statistical Committee of the Kyrgyz Republic, the specific weight of electricity and fuel in material production costs since 1992 has grown at the average from 12,02 % (1992) to 23,2 % (2007). Consumption in **agriculture** has increased by 19,7 % when there is development of release of agricultural products on an average by 5 %.

Shortage of demand

Analysis of electricity consumption shows that in the near future there may be a shortage of basic capacity. That shortage will be growing.

The ongoing tendency in change of consumption from industrial to household does not mean increase of income, on the contrary, at low tariffs (lower than cost) for population, revenues of sector decrease. In this situation we have to expect the shortage of electricity production and limitations on carrying capacity of high-voltage and low-voltage transmission lines.

Equipment wear

Failure to estimate basic assets has reduced depreciation costs, inadequate funds have been directed to funds for repair and capital investment that brought to excessively optimistic prospects of income growth and thereby to artificial underestimation of prices for energy. Prices for electric and thermal power have been remained almost unchanged, they have not covered actual costs, no profound analysis and forecasting of technical and financial-economic state of power supply system has been conducted that brought the system into decay.

Limitation of funds allocated for operation and prevention/repair has resulted in quick wearing of production assets, increased losses in the system, boosted the cost of production and reduced maintenance reliability.

For beginning of year 2000, the number of substations with voltage 35kW and higher, the equipment of which has been operated for more than 25 years, was 32% but for beginning of year 2001, it was 34,8%.

For this moment there is no more or less real estimation of the cost of capital investment into worn equipment of existing electric stations and high-voltage transmission lines, therefore table 2.6 lists technical state of electric networks as of 01.01.2000.

Table 2.6. Technical state of electric networks 0,4-10kW, located on balance of distribution companies as of 01.01.2000.

	Total	Good	Satis-factory	Requires repair	
				km	%
High-voltage transmission line 6-10 KW, km	26959	12163	9779	5017	19%
High-voltage transmission line 0,4 KW, km	27940	9556	10164	8220	29%
Low-voltage transmission line 6-10 KW,km	1387	352	577	458	33%
Low-voltage transmission line 0,4 KW.km	997	193	505	299	30%
Total range, km	**57283**	**22264**	**21025**	**13994**	**24%**
Specific weight, %	100	39	37	24	
Transformer substation 6-10/0,4kW, pcs	**19047**	**7928**	**7835**	**3284**	**17%**
Specific weight, %	100	42	41	17	

Source: Ministry of Industry, Energy and Fuel Resources of the KR

System losses

Every year, passing of autumn-winter maximum is characterized by ultimate load both distribution and systems-forming electric networks and it is an evident of exhaustion of all operational reserves in the system. Overflow of networks leads to increase in network losses.

It should be noted that 97% of electricity losses occur during the supply of energy to domestic consumers, however the overall losses of electric power per year reaches 42%.

Level of collection

The level of collection according to bills makes up 80-85% from which only 20% is collected as money, and the rest falls on operations on barter and mutual settlements.

Table 2.7. Quasi-fiscal deficit in power industry for the period of 2000-2008.

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Generation (MWh)	12012	11745	11079	12148	11604	12041	11844	11965	13220
Losses (MWh)	4229	4576	5506	5054	4926	5133	4986	4467	4257
Level of total losses (%)	35	39	50	42	42	43	42	37	32
Level of excessive losses (%)	28	32	41	31	32	33	34	28	22
Consumption (MWh)	7782	7169	6138	6986	6609	6814	6855	7497	8964
Tariff (cent/kWh)	0,64	0,86	1,15	1,37	1,36	1,45	1,58	1,86	2,21
Tariff (som/kWh)	0,31	0,44	0,38	0,50	0,58	0,595	0,636	0,716	0,852
Total existing rate	0,54	0,73	0,98	1,08	1,13	1,04	1,23	1,56	2,01
Economic tariff (cent/kWh)	2,3	2,3	2,3	2,3	2,3	2,3	2,66	2,8	2,94
Quasi-fiscal deficit (% to GDP)	16,4	13,9	13,5	10,4	8,7	7,6	6,8	5,2	4,1
Quasi-fiscal deficit (mln.USD)	224,2	211,7	215,5	198,8	191,5	185,5	192,8	171,8	153,6
Quasi-fiscal deficit (mln.Som)	10716	10256	10130	8689	8175	7609	7749	6615	5913
GDP (mln.USD)	1367	1525	1601	1909	2203	2441	2815	3290	3722

Source: Ministry of Industry, Energy and Fuel Resources of the KR and own calculations[18]

Financial instability together with growing shortage of energy services has an influence of purchasing power of population making it economically vulnerable. The overall macroeconomic situation of the country depends on reforming of energy sector and conduction of financial reforms.

2.3. Regulation, policy measures and commitments on liberalization of trade influencing on energy services sector

Kyrgyzstan's trade policy

For the purposes of formulation of open economy, there have been reforms in republic among which reform of foreign trade policy has been put forward as one of the primary tasks. In the field of regulation of foreign trade, the Kyrgyz Republic has passed the way from tight control by the state of entities of that field of activity to its significant liberalization.

Accession and participation of the Kyrgyz Republic in the WTO has directly promoted to the conducted reforms in the country. By the time of accession, by the end of 1998, Kyrgyzstan has put into force and adopted the most part of laws and normative acts providing legal basis for observation of rules and requirements of the WTO. Laws enacted for purposes of accession to multilateral trade system have been aimed at establishing more stable and predictable trade regime of country.

The revised legislation covers the key trade areas such as customs, enterprises, intellectual property, investments and specific sectors such as bank, insurance and telecommunication. Legislation reforming includes elaboration and adoption of number of basic standard legal documents: the Tax Code of 1996, in 2000 and 2009, the Civil Code which has come into force in two phases, in May 1996 and January 1998; new Customs Code in 2004; the Law on Foreign Investments of 1997 and 2003, the Law on Basics of Technical Regulation 2004 aimed at conformity with WTO rules concerning technical barriers to trade and SPS measures.

Measures are taken on further improvement of business climate, improvement of customs administration, enhancing independence and sustainability of judicial system within which unsettled issues were remained.

[18] Annex 2, Methodology of calculation of quasi-fiscal deficit in energy sector of Kyrgyzstan

Institutional structure of trade policy

The main body coordinating the development of foreign trade policy is the Ministry of Economic Development and Trade of the Kyrgyz Republic (MEDT) which is responsible for economic policy and foreign trade, development of entrepreneurship, creation of effective system on attraction of foreign direct investments. In addition, the Ministry is responsible for interaction with the WTO, regulation of regional/bilateral trade and adoption of the relevant policies, including promotion to export development, import replacement and surveillance using tariff and non-tariff measures for the purposes of protection of local producers from unfair competition and technical regulation.

Interaction of the Kyrgyz Republic with WTO is coordinated by the Interdepartmental Commission on WTO issues which considers multilateral issues related to fulfillment of WTO Agreements including implementation and compliance with related agreements and preparation of new proposals and commitments.

The development and implementation of trade policy involves the Ministry of Finances (structural and administrative reforms, development of banking sector), the State Customs Committee of the Kyrgyz Republic (customs policy, collection of excises and customs duties or payments for import[19]), the State Committee of the Kyrgyz Republic on Taxes and Duties (collection of domestic taxes), the State Agency on Antimonopoly Policy and Competition Development (antimonopoly policy and regulation of natural and permitted monopolies), the National Institute of Standardization and Metrology (national body on standardization and metrology) and the State Agency for Public Procurement and Material Reserves carrying out government procurement.

Formulation and implementation of trade-related policy also involves the Ministry of Foreign Affairs, the Ministry of Agriculture, Water Resources and Processing Industry, the Ministry of Industry, Energy and Fuel Resources, the Ministry of Transport and Communications, the National Bank of the Kyrgyz Republic. The non-governmental organization "Chamber of Commerce and Industry" (CCI) promotes to establishment of legal environment, infrastructure and other conditions for development of entrepreneurship. The Chamber provides services of trade support, including issuance of certificates of origin, research of export markets and data collection, organization of trade fairs. Various associations actively popularize legal, tax, political reforms and public administration reforms.

Trade policy measures

According to the results of the Trade Policy Review conducted in 2006, many revised elements of legislation covering key directions related to trade, customs, entrepreneurship, intellectual property and investment, and concrete sectors – banking, insurance and telecommunications met the provisions of WTO agreements.

The objective of trade policy of the Kyrgyz Republic was to achieve more attractive foreign trade regime, obtaining more access for export, its diversification and promotion to integration into the world economy. That objective covers multilateral, regional and bilateral initiatives.

When acceding to the WTO, the Kyrgyz Republic has accepted commitments on tariffs, and other import duties, eliminated differentiated rates of excise tax, used methods of customs valuation and refused to subsidize export of agricultural products.

[19] The State Committee on Taxes and Duties deals with collection of taxes, including local taxes for which local bodies take responsibility (Decree of Government of the Kyrgyz Republic N 164, April 2005).

Trade regime of the Kyrgyz Republic
The Kyrgyz Republic, when importing goods to customs territory, the following payments are levied:

- 0,15% - customs duties for customs clearance levied from customs cost of goods cover the cost of provided customs servicesт;
- Import customs duty by rates approved annually in accordance with which for 2008, minimum rate of customs tariff – 0%, maximum rate of customs tariff – 30 %, average rate of customs duty - 5%;
- According to the Law of Customs Tariff for the purpose of protection of domestic market, it is provided, in case of necessity, introduction of seasonal customs duties.
- Excise tax – tax for some types of goods such as alcoholic and tobacco products by rates approved by legislation per year;
- Value added tax (VAT) by rate 12%.

The Kyrgyz Republic provides 152 members the Most-Favored Nation treatment (MFN); it is in the process of negotiations on accession to the WTO on government procurement and trade in civil aircrafts.

As regards participation of Kyrgyzstan in negotiations under the WTO («Doha Round»), then the country follows that new commitments would not infringe sustainable development and would not go beyond the existing opportunities.

Within the framework of regional initiatives, the Kyrgyz Republic actively implements regional trade agreements with all republics of Post-Soviet space (11 countries) in the form of free trade agreements and establishment of customs union[20]. Those regional agreements are implemented mainly in terms of customs, tariffs, other duties and taxes and transit. The agreements provide for trade without levying customs duties, taxes and duties having equivalent action and quantitative limitation.

The Kyrgyz Republic is a user of preferential systems of European Union (EU), Japan and USA according to the Generalized System of Preferences. And itself provides preferential regime for 47 least developed countries.

Customs valuation is done on the basis of transaction cost, pre-shipment inspection before transportation is not required.

Application of measures of non-tariff regulation by the Kyrgyz Republic is minimum too: there is no quantitative restriction for import (quotas only for import of alcoholic products, bans, permits, requirements on preliminary approval), or other non-tariff measures, contradictory to WTO rules; import restrictions and licensing (except wastes and scraps of non-ferrous metals), exist mainly for purposes of protection of health and safety of population and environmental protection according to international conventions.

The state-owned and private enterprises decide themselves on trading, they have the right to deal with import-export operations without special registration or restriction, except cases adopted in world practice. Export is not regulated in general. Export is not subjected to duties, VAT (except gold).

Public procurement is liberalized. The legislation specifies application of price preferences to producers (20% for goods and 10% for works), based on minimum local composite 30%.

Currently the main priority of trade policy of the country is to improve business climate promoting to strengthening and development of economic potential of the country. Invariance of course for support of liberal foreign economic activity is stated in the Country Development Strategy (CDS, 2009-2011). The basic objective for that period is active development of economic relationships with other states, enhancement of competition of economy and foreign trade, reduction of trade and transport barriers in promoting Kyrgyz

[20] См. Приложение №3

goods and services to foreign markets, application of mechanisms of protection in domestic market.

Liberalization of Services Sector: Investment and Business Climate

After accession of the Kyrgyz Republic to WTO, liberalization had a wide distribution for such sectors of services as telecommunications, transport, **production and distribution of energy**, previously closed for foreign investors. Relationships between the government agencies and investors are regulated by the Law «on Foreign Investments in the Kyrgyz Republic», enacted in 2003 which was directed at improvement of investment climate in the republic. This law provides for equal and non-discriminatory national regime to foreign investors, providing them with similar legal status and conditions.

Adoption of that law has strengthened investment regime of the Kyrgyz Republic, it determines the following basic provisions:

- foreign investors may act in the form of entire foreign ownership or as joint enterprise with Kyrgyz or other partners[21];
- no limitation for investing of foreign investment and any sector of economy is open for implementation of investment projects, except air transport, production of alcoholic products, the ceiling of FDI has been only decreased by 49% of maximum foreign ownership in aviation and insurance[22];
- obtain preferences (according to the state development programs, investors in priority sectors and on certain territories of republic may obtain investment preferences);
- guarantee of constancy of laws during 10 years (this right does not apply to case of change in Constitution);
- investor has the right to apply for International Arbitration;
- foreign investors are permitted to own 100% of property;
- investors may establish daughter companies, and branches and representations;
- investor can participate in privatization of objects of government and public property;
- foreign officers and employees in foreign enterprises are automatically provided with visas, work and residence permits;
- laws guarantee timely payment of adequate and effective compensation in case of expropriation;
- export of foreign currency for further import or payment of future expenses is guaranteed;
- investors can keep income in foreign currency; there is no requirement for converting it into local currency;
- investor can purchase government securities, shares and other securities of legal entities;
- foreign and domestic investors should receive license for production, if required;
- foreign investors can not own land, including farm land.[23]

There are no requirements for indicators such as use of local raw materials, labor or minimum export share or local composite use program. Local participation is not agreed specially in laws but expressed in selection of employees from region in implementing of investment

[21] Foreign investors should have as a minimum one third of votes.

[22] FDI may be prohibited in some spheres such as reconstruction of roads, healthcare, military activity for the purpose of protection of national security.

[23] Foreign investors, including private persons can take agricultural lands for the period until 49 years, and can temporarily use land in cities and villages during fixed time. They can rent immovable property on the same basis as Kyrgyz nationals and legal entities (WTO Document WT/ACC/KGZ26, 31 July 1998, page 8).

project, for instance, for construction works, one may select 70% and more percents of employees from that region. There is also a standard that investing company among profit should assist in developing social programs of local community, e.g. involvement in construction of schools, stadiums, hospitals or parks. The volume of such assistance is the subject of negotiations with local authorities.

To integrate into the world community, establish international normative-legal base, the Kyrgyz Republic has concluded intergovernmental bilateral Agreements with a number of foreign states:

- 24 Agreements on Mutual Protection and Encouragement of Investments (including since 1998 – 7 agreements on investment encouragement and protection);
- Avoidance of Double Taxation;
- Transit Shipments;
- Interstate Convention of CIS countries «On protection of Investors' Rights»

The Kyrgyz Republic is a member of several international conventions such as «New Your Convention on Recognition and Implementation of Foreign Arbitration Resolutions». In 1997 it signed Washington Convention of 1965 «On Procedure of Settlement of Investment Disputes between States and Foreign Investors. Under the Chamber of Commerce and Industry of the Kyrgyz Republic the International Arbitration Court is operating which follows the provisions of «Model Law UNCITRAL on International Trade Arbitration».

The state body carrying out support and protection of investors, promotion of investments, and control of implementation of normative legal acts regulating issues of direct investment attraction will be the Ministry of Economic Development and Trade of the Kyrgyz Republic. There is the Investment Council under President of the Kyrgyz Republic (Decree of President of the Kyrgyz Republic N72 dated 24.02.07), urged to elaborate proposals and recommendations for state bodies on the issues of improvement of business environment and investment climate in the Kyrgyz Republic. The Council consists of representatives from: government agencies, multilateral and bilateral donor organizations, foreign and domestic investors.

Since 2009 the new Tax Code of the Kyrgyz Republic was introduced which aimed at establishing favorable tax regime for economic entities.

For improvement of business climate in republic promoting to private sector development, especially small and medium-sized enterprise, it was necessary to eliminate administrative and technical barriers (weak harmonization with international systems of standards) in trade.

The Kyrgyz Republic, in accession to the WTO, has taken commitment to establish such system of technical regulation which would more completely meet the international rules, regulations and standards distributed in world practice. Recognizing Article 2 of the WTO Agreement on Technical Barriers to Trade, technical regulations and standards in the republic are applied based on the Most-Favored Nation treatment for goods and services coming from different countries, i.e. based on non-discrimination.

In December 2004, the Law of the Kyrgyz Republic «On Basics of Technical Regulation» was enacted, according to which the volume of mandatory requirements for technical regulations in the field of human and animal safety, environmental and consumer protection has been limited, and made standards voluntary.[24]. The Soviet systems of standards are transformed into market system. Within the framework of existing system of, the efforts are made on harmonization of national standards with international standards such as ISO and

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[24] Voluntary standards have been separated from mandatory technical regulations which are applied, for example, in respect of goods representing threat to environment or human health and safety (Law «On Consumer Protection»).

IEC and Codex Alimentarius Committee.[25] About 600 standards of Russian Federation have been adopted. About 38% of standards is harmonized in accordance with international regulations. The Program for 2006-2007 has been concentrated on harmonization of technical regulations in such areas as safety of transport, food products, construction materials, and on drafting of 74 national commodity standards. It should be noted that harmonization runs slowly, significantly lower than the planned level of harmonization.

The Ministry of Economic Development and Trade is a responsible body for implementation of uniform policy and coordination of national activities on development of technical regulation and preparation of proposals for international cooperation in that field, and takes responsibility for the work on bringing standards in compliance with WTO requirements.

Information on technical regulations of certification system and industrial standards currently in force in the country are available and open published, provided to anyone by information centers of MEDT and those under the National Institute of Standards and Metrology (NISM) specifically established for that purpose. The separate division of NISM – Kyrgyz Center of Testing and Certification is the government enterprise responsible for conformity recognition.

Conformity recognition, conformity signs to standard and results of tests for mandatory technical rules published by other (foreign) authorities may be recognized in Kyrgyzstan. Recognition may be based on bilateral, multilateral or unilateral agreements on mutual recognition such as the Interdepartmental agreement between standardization bodies.[26] Recognition of certificates published by other (foreign) authorities, generally, depends on availability of relevant agreements. Certification, testing rules and procedures are applied similarly with respect to import and domestic goods.

It may be noted that the activities on trade facilitation are implemented actively since 2007, as a result of which, the number of permissive documents in relevant agencies has been reduced from 30 to 50%, and currently the works on introduction of "Single Window" principle for export/import are being implemented.

Kyrgyzstan's obligations to the WTO in Energy Services Sector

After restructuring of the state monopoly "Kyrgyzenergo" (2001), separation of its activity in the field of production and transmission (transportation), energy, the existing regime was kept (state monopoly). And the field of energy distribution has been provided access to distribution companies, i.e. they received the most favored nation treatment. According to that, now the international tender was announced for privatization of distribution network "Severelektro". As noted above, at present, private companies at energy distribution market has less than one percent of total energy distribution.

Thus, the generating and transmitting energy companies, including network of high-voltage source of power supply over 35 KW, specialized enterprises on water and gas supply, drainage and heating system, road operation and repair, engineering-technical infrastructure are not subject to further privatization according to the laws of the Kyrgyz Republic.[27] Any other type of property may be privatized either based on government resolutions or by decision of the State Committee on State Property Administration. Foreign investors can freely participate in privatization (except land purchase). The Government can consider the

[25] KR is not a member of the International Electrotechnical Commission (IEC), however in December 2003 the Kyrgyz Republic has been allowed (in the person of NISM) participating in IEC Program of affiliated countries. The Kyrgyz Republic is a correspondent member of the International Organization for Standardization (ISO) since 2005.

[26] Basic agreements with CIS countries have been signed in 1992. (the Agreement on Conducting of Agreed policy in the field of standardization, metrology and certification and the Agreement on Principles of Conducting and Mutual Recognition of Certifications). Since that the Kyrgyz Republic signed agreements on cooperation in the area of standardization, metrology and certification with Russian Federation (in 1994) China (1995), Ukraine, Uzbekistan and Georgia (1996), and Kazakhstan (1997). Other countries which have mutual recognition with Kyrgyzstan are Iran, Slovakia, Turkey and EU countries.

[27] These objects are not subject to privatization (Article 3, the Law on Privatization. However, one may rent that property.

possibility of using **“gold shares”** in particular cases for the protection of state strategic interests in transformation of state-owned enterprise into joint-stock company but in practice there was not such precedent.

According to the Law «On ratification of Protocol of Accession of the Kyrgyz Republic to Marrakesh Agreement on Establishment of the World Trade Organization», the Kyrgyz Republic has accepted the list of commitments on GATS for which there is no restriction both for market access and national treatment practically for any sector and mode of supply (except for small number of strategic sectors and 4 modes of supply), i.e. conditions of openness of horizontal and specific commitments. The Kyrgyz Republic neither accepted commitments on certain modes of supply not established specific limitations in accordance with existing regime (Annex 4).

In acceding to the WTO in energy services sector Kyrgyzstan did not bind commitments on services in the field of power distribution (CPC 887) for all 1-4 modes of supply, except the agreed for (4) type of commitments in horizontal. Mode (4), including movement of skilled specialists who provide technical and management services, and movement of semi-skilled and unskilled personnel, for example, for construction and enhancing structures and networks so far presented only by presence of foreign highly skilled personnel rendering consultative services.

Kyrgyzstan, among four types of services supply existing in GATS Agreement, the most difficulties occurred in determining commitments in the field of the so-called commercial presence – 3rd mode of supply and in the field of movement of physical entities – 4th mode of supply (as it is known, a relative liberalization in that field was reached only in respect of managerial personnel of companies).

As it is known, GATS contains the so-called "built-in program of future work". The Kyrgyz Republic has supported the Doha Development Agenda; it mainly participates on the issues of services sphere, NAMA, Agriculture and Trade Facilitation.

For services, liberalization concerns 4th mode of supply and also tourist services and sea transport. The Kyrgyz Republic recognizes as a priority the provision of adequate technical assistance and capacity building to developing countries.[28] The country’s schedule of commitments is equal to commitments of the Group of recently acceded WTO member countries, and sometimes it is even more liberalized. It has been also mentioned in the special statement which was disseminated to WTO member countries by document WT/MIN (03)/W/3 dated 26 August 2003 before the Ministerial Conference in Cancun.

Paying attention to that the Article 49 of the Ministerial Declaration in Doha which says that negotiations «….shall be conducted with a purpose of providing benefits to all parties and reaching overall balance of negotiating results». And taking into account that Kyrgyzstan has already commitments with high degree of liberalization different from those which WTO member countries have since its establishment, therefore Kyrgyzstan does not have an opportunity to liberalize access to its market for services more than the accepted commitments which it implements since membership in the WTO.

At the Ministerial Conference in Hong Kong in December 2005, the Kyrgyz Republic has requested equivalent regime as granted to the least-developed countries in respect of acceptance of new commitments and as a landlocked and small income country to be compared with the least developed countries, Kyrgyzstan also wishes to obtain benefits from specific provisions included in market access negotiations.[29]

[28] WTO document TN/TF/W/74, 10 November 2005.
[29] WTO document WT/MIN(05)/ST/155, 17 December 2005.

Delegations recalled initial applications on market entry during current trade negotiations (Doha Round) mainly in token of recognizing the fact of acceptance by the Kyrgyz Republic of substantial commitments on accession to the indicated organization.

The letter on Kyrgyzstan's position on services has been sent to the WTO Director General (№ 03-1-1/2551 dated 1 June 2005).

It should be noted that the existing Agreements of WTO does not include clearly formulated sector or group covering energy services. Lack of clear classification of energy services sector leads to various interpretations of WTO provisions and free interpretation of its regulations. At present the services regarding energy sector are spread as component parts of other sectors such as transport, distribution, construction, consulting, engineering and other, and there are various approaches. Therefore we think it necessary to have:

- comprehensive development of issues of terminology and other technical aspects;
- sort out issues related to energy services in a separate box.

Collaboration with international organizations and associations

The Kyrgyz Republic has ratified the European Energy Charter (EEC) in July 1997. It established legislative basis for promotion of long-term cooperation in the field of power industry, including investment encouragement and protection that enables to fulfill Kyrgyzstan's obligations within the framework of energy Charter, provides for submission of information on energy, market development according to EEC rules.

The Kyrgyz Republic carries out international collaboration on the issues of fuel-energy complex with the number of organizations and associations. The collaboration with former Organization of Central Asian Cooperation, which incorporated neighbors in region – Kazakhstan, Kyrgyzstan, Uzbekistan and Tajikistan, bears technical, economical and political character as our energy systems are united by single ring of transmission lines 500kW.

With the Economic Cooperation Organization (ECO) the member of whom Kyrgyzstan became after USSR breakup, it collaborates on the issues of development of united investment projects in power industry.

Under CIS, Kyrgyzstan participates in the work of CIS Energy Council providing in perspective development of uniform energy system, support of the work of existing united energy systems which incorporates CIS countries, development of legislative and institutional framework for joint energy system to open energy market –electricity, natural gas and oil. Kyrgyzstan is also a member of the Council on Energy Policy of EurAsEC which mainly duplicates the work of CIS Council.

With Eastern Europe Regulators' Association and CIS (ERRA) Kyrgyzstan carries out exchange of information on regulatory activity and receives assistance from developed ERRA member countries in developing regulatory activity in Kyrgyzstan and training, including educational trainings and consultations on request of Kyrgyz authorities.

The National Association on Regulation of Utilities (NARUC) is a sponsor of ERRA; it is carrying out consulting activity especially in selection of partners in USA for promotion of regulatory of activities in Kyrgyzstan.

The US Agency for International Development (USAID) provides assistance in drafting energy market rules for Central Asian region, Commission on Utilities and Transport of USA Washington states (WUTC) and other carry out the similar assistance as well as ERRA and NARUC.

Regional cooperation in energy services sector

According to calculations of experts, domestic market in Central Asia region (CA) may be supplied approximately until 2020 through implementation of measures on reduction of losses, rehabilitation of existing generating powers and regional trade in small volumes.

However the lack of supplies in winter time remains. Though to satisfy that insufficiency, effective option from the point of costs can be small-volume trade though for that new generating facilities will be required.

The updating of transmission lines will be required, including North-South lines in Kazakhstan, Afghanistan, Iran and Pakistan for expanding intra-regional trade, for that purpose it is necessary to attract foreign investments. China, Pakistan, Afghanistan and Iran are potential markets of electric power produced in CA. Pakistan and Iran are more attractive because their maximum load falls at in summer when there is the largest potential of surplus of energy in CA.

- Access to those markets, particularly brings benefits to Kyrgyzstan and Tajikistan as having potential for exporting significant volumes of power. Uzbekistan (and in some degree Kazakhstan), has the potential to export energy from heat stations in winter and receive benefit from its role as prospective transit countries and as potential sellers of energy.
- Obtaining access to those markets encounters with the number of restrictions. Afghanistan has potential demand, but limited in its capacity to pay import. Pakistan's market means transit and related construction of transmission lines through Afghanistan. Growth of supply in China is concentrated at western coast which is at significant distance from CA. access to Russian market will require access to north-south transmission line passing through Kazakhstan which is at the stage of construction. The completion of construction most likely depends on interest and desires of Russian JSC "Electric Stations" to purchase supplies. Supplies from Iran to Kyrgyz Republic and/or Tajikistan, most probably, have to compete with supplies from Turkmenistan, and there need to be transit through Afghanistan or Turkmenistan, and potentially, Uzbekistan. Moreover, access to export markets, in many cases, will require conclusion of agreements on transit of energy between themselves of Central Asian countries.
- Currently the World Bank Group has developed a draft CASA 1000, for export of energy to Afghanistan and Pakistan from CA region.

Experts calculated the volumes of regional demand for energy for Kazakhstan, Kyrgyz Republic, Tajikistan and Uzbekistan for the period until 2025 (table 2.8).

Table 2.8. Forecast of gross demand for energy

Country	**Forecasted demand (gWh)**				
	2003 act.	**2010**	**2015**	**2020**	**2025**
Kazakhstan	58,944	72,056	84,034	98,367	115,146
Kyrgyz Republic	12,145	9,222	10,033	11,296	12,719
Tajikistan	16,348	11,267	12,410	13,972	15,731
Uzbekistan	48,691	46,597	51,255	56,589	62,479
4 CAR	136,128	139,142	157,731	180,225	206,075

Source: Ministry of Industry, Energy and Fuel Resources of the Kyrgyz Republic

Demand can be satisfied through combination of measures on reduction of losses, rehabilitation of existing generating structures and addition of new power.

So the region and Kyrgyzstan (in energy) has a sufficient export potential representing economic attractiveness but for that it is necessary to eliminate some barriers.

1. The main barrier on the way toward expanding of scales of export of fuel and energy resources (FER) from region is insufficient capacity and weak diversity of fuel and energy transport communications (oil and gas lines, transmission lines). Among perspective and potentially capacious markets of FER are considered Iran, China, Pakistan, Turkey and some other countries.

2. The regional cooperation in the field of development of rational and effective use of energy resources implies:

- Development and conclusion of long-term agreements on use of water-energy resources of Naryn-Syrdaria water-storage reservoir cascade which provides for economic mechanisms of mutual relations;
- Provision of simultaneous functioning of power systems of the region states which is an important condition of rational use of water resources in CA;
- Development of normative legal acts of cooperation between countries of the region in the field of joint provision of optimal regimes of using water-energy resources, trade of energy carriers, carrying out of agreed policy at external energy markets, and in the area of energy saving;
- Introduction of market conditions and mechanisms in respect of between countries in the region in the are of power industry, in particular, introduction of mutual settlements on the basis of market prices for water and fuel-energy resources.

3. Reduction of power intensity of economies in the region which in several times exceeds applicable indicators of industrially developed countries. As there is a high level of non-productive losses of FER in Central Asian countries in all without exception sectors of economy, but the significant economically profitable potential of energy saving is concentrated here the share of which makes up 25-30% of overall volume of energy consumption in the region.

Kyrgyzstan's capabilities on export of energy

From table 2.2 it is seen that the export of Kyrgyzstan's energy has decline tendency for the period of 1991-2008, it has fallen almost in 8 times from 4292 to 543 million kWh. Recent years Hydropower stations as it is shown by analysis, can not any more provide reliability required for the system in order to meet domestic demand and export commitments of Kyrgyzstan on CASAREM 1000 (Central Asia Regional Energy Market). To fulfill commitments on export, it is necessary to expand capacities meeting key criterion:

- Capability to meet domestic demand without shortage of power even in case of drought (95% probability) which will be contributed by introducing small HPS;
- Minimum annual guaranteed export of 2000 gWh even in low-water season.

Today system needs requires about 840 mWh of new heat power in order to have to be self-sufficient in dry year, and there will be required about 1100 mWh of heat power in order to adequately meet criteria of domestic reliability by 2015. For that, it is necessary to fulfill the following conditions:

- Provision of operation of old and new heat powers – 100% in winter and 80% in summer;
- Toktogul HPS is not exhausted and generates power in accordance with water inflow;
- Stations' ratios: Toktogul - 0,920 GWh per 1 billion cube meters, Kambarata 1 - 0,490 and Kambarata 2 - 0,105.

The analysis done by USAID experts under the Regional Energy Market Project 1 has shown that the most saving will be a station with steam turbine on domestic coal (Kara-Keche) (45 US dollars/MWh), whereas Kambarata 1 and 2 are almost expensive twice (87 US dollars

/MWh). This is, first of all, because of that utilization ratio of those HPS comprises only 31% in power. Kambarata -1 is, in essence, a peak station for $2 billion US dollars. Its expenses for MWh could be more competitive if its utilization ratio might be increased by 50% by reducing its value (power), and if costs for its construction might be less than 1100 US dollars per MW. Technically executable combination of heat powers of Kambarata requires that Kambarata would have the power not more than 1200 MW and generate power according to price not more than 5 cents.

Enhancement of reliability of energy saving and Kyrgyzstan's export can be reached at the expense of:

- Reduction of losses of power, including in transporting by networks of OJSC «NENK» from 6,0% in 2005 to 5,5% by 2010÷2025, in distributing power to end consumer by networks REK – technical losses from 18,4% in 2005 to 15% by 2010 and to 12% by 2025, commercial losses from 20,5% in 2005 to 3% by 2010;
- Increase in consumption of power until 2010 with average annual rates of growth 107%; for the period 2011÷2015 annual growth rates are expected at the level of 106% and further during the period 2016÷2020 and 2025 at the rate of 104%; forecasted rates of growth of power consumption entirely provide for development of real sector of economy, services sphere and population;

There is an opportunity for Kyrgyzstan to increase export of energy:

- at the cost of constructing perspective HPS and Kara-Keche HPS from 2,28 billion kWh in 2005 to 5,2 billion kWh by 2010, to 11,6 billion kWh by 2015, to 12,4 billion kWh by 2020 and to 15,8 billion kWh by 2025, possible construction of 4 hydropower stations with 200 MWt each with aggregate output from 1,7 to 2 billion kWth at the river Sary-Zhaz.

Basic laws and institutions regulating the activities in energy sector

Laws regulating activity in energy sector

The existing laws establish legal, economic and social basis of energy industry's operation and development as well as their place and role in the economy of the republic. They also specify the level of state participation in management over fuel and energy complex (hereinafter referred to as "FEC"), licensing, environmental protection, arbitral dispute settlement, price regulation and tariffs on energy carriers. The laws determine state protection for FEC consumers; define functions of a republican body and local executive and administrative bodies in the area of ensuring FEC. The articles of the laws are provided below to demonstrate legislative environment in FEC.

Law "On energy sector" was adopted in 1996. It defines underlying principles of organization and regulation of economical activity related to fuel and energy complex. Provisions of this law apply to all FEC enterprises regardless of their patterns of ownership.

According to the law, energy regulatory body is the State agency on power engineering under the Government of the Kyrgyz Republic (hereinafter referred to as "the State agency"). At present, its assignee is a Ministry of industry, energy and fuel resources of the Kyrgyz Republic (MIEFR).

Law "On electrical power engineering" was adopted on January 28, 1997. The law is based on the provisions of the law of the Kyrgyz Republic "On energy sector" and applies to all legal entities regardless of their patterns of ownership as well as to physical persons, who convey, sell or consume electrical and heat energy.

The present law aims to ensure safe, reliable and uninterrupted energy and heat supply, improve quality of rendering services to all consumers, establish competitive environment and form an energy market, promote private sector development and attract investment. According to this law According to this law, power companies must provide all consumers with electricity without any discrimination. Electrification is almost 100% and there is no need in special decisions of the Government. And there are 50% tariff preferences for high-altitude regions.

Pursuant to Article 12 of the law, legal and physical persons willing to produce electricity for personal consumption are not required to have a license for production. If power is more than 1000 kilowatt, they are required to obtain license for production, transmission, distribution or sale of electricity or thermal power issued by the State agency on energy under the Government of the Kyrgyz Republic.

According to Article 15 of the law "On electrical power engineering" model contracts are concluded in regard to energy supply where rights and obligations of distributing companies and consumers are identified. In accordance with a definition stated in the Article 2 of the Law, a distributing company is any state, private legal or physical entity providing consumers with electro-thermal power.

Law "On energy conservation" was adopted on June 24, 1998. The law sets legal norms of carrying out public policy aimed at improvement of performance of power consumption as well as legal norms of establishing and functioning institutional economic and information mechanisms of carrying out this policy.

Pursuant to Article 15 of the Law, underlying principles of the state policy in the area of effective use of electricity include: creation of economic and legal conditions by the Government to make physical and legal persons interested in energy conservation; development and implementation of government projects and programs for energy conservation and use of renewable sources of energy, alternative fuels and derivative sources of energy; as well as implementation of demonstration projects of high energy performance, implementation of economic information and other kinds of activity in the area of energy conservation.

Law "On innovation activity" was adopted on December 10, 1999. The law identifies goals and principles of state regulation over innovation activity, structure and organization of state network innovation and investment infrastructure, legal, economic and social terms of innovation activity intended for use of accumulated and acquired achievements (knowledge, technologies) in creating new goods (services) with new quality.

Law "On oil and gas" was adopted on June 18, 1998. According to the law, legal and fiscal conditions are created to attract investment in oil and gas sector. Programs on preservation of the environment from negative impact of activity related to oil and gas sector are developed and implemented. Rules on use of mineral resources, their conservation, oil and gas field development, transportation, maintenance and sale are set.

General pricing policy is conducted in relation to oil and gas sector according to normative and legal acts; and program on de-monopolization, denationalization and privatization in oil sector is developed and implemented.

State structures authorized by the Government to carry out licensing activity perform preparatory works and issue licenses:

- for exploration, development (extraction) of oil and natural gas;
- for production, transmission, distribution and sale of natural gas and processing of oil and natural gas.

Law "On natural and allowed monopolies in the Kyrgyz Republic" was adopted on October 8, 1999. The law provides a definition of "allowed monopoly" – economic player, having its own share in the relevant market at the rate of 35% or more or the rate fixed annually by antimonopoly body, and possessing a dominating position, removal of which seems to be impossible at the moment. "Allowed monopolies" also include economic players-monopolists activity of which requires relevant state regulation for the purpose of preventing inflation growth as well as in spheres where it is required based on considerations of public security.

The following is not allowed in the field of activity of subjects of natural and allowed monopolies:

- temporary suspension of production and delivery of goods or rendering services for the purpose of creating artificial deficit on the market or creation of conditions to enable subject of natural and allowed monopoly to affect activity of third persons;

1. Antimonopoly body fulfills the following tasks:

- compiles and maintains the State register of subjects of natural and allowed monopolies in respect of whom state regulation and control is exercised;
- determines regulation methods.

2. Branch-wise bodies of state regulation carry out the following tasks:

- adapt regulation methods stipulated by this law for a concrete subject of natural and allowed monopolies;
- regulate issues related to pricing of goods and services of natural and allowed monopolists;
- take measures together with anti-monopoly body to prevent activity aimed against competition;
- exercise state control over quality and prices of goods and services of natural and allowed monopolies.

Regulation of prices for fuel. At present the State Agency on Antimonopoly Policy controls the state monopoly in gas and electrical power, including prices of them: restriction on profit margin was fixed at the rate of 5% (Regulation of the Government #50 of May 10, 2000). Primary goal of regulation over fuel and energy sectors is a balance of interests of consumers and producers and improvement of competition market. The Agency control fuel prices by imposing restrictions on profit margin of the following companies (Munay Myrza Oil Ltd, Munay Myrza Opt Ltd., Munay Myrza Zapad and Munay Myrza Yug). The state subsidizes prices for heating and hot water. Prices for water of municipal use, heating, hot water supply and public transport services are set by municipal or regional public administrations and are regulated by local agencies of antimonopoly policy as sanctioned monopolies.

Law "On licensing" was adopted on March 3, 1997. The law regulates issue of licenses and determines underlying principles of licensing, terms of licensing, types of licenses, subjects and objects of licensing. The nature of the process of issuing a license is not discriminatory and the law does not make a difference between public and private companies. Foreign legal and physical persons and persons without citizenship obtain licenses on the same terms as legal and physical persons of the Kyrgyz Republic unless otherwise is stipulated by legislative acts. Licenses obtained in other countries are recognized in the territory of the Kyrgyz Republic provided relevant international agreements are concluded. Procedures of certification and self-certification by the third party are accepted.

Availability of license is required for the following kinds of business:

- exploration, prospecting and exploitation of mineral deposits;

- designing, construction (building) and exploitation of dangerous manufacturing entities;
- construction of dams on the river and reservoirs;
- production, transmission, distribution and sale of electrical and heat power, natural gas and processing of oil and natural gas;
- construction of electric power stations, substations and power transmission lines.

Criteria on issue of licenses include availability of qualified staff, fulfillment of technical requirements and ensuring the service level as well as providing new opportunities to attract investment. To issue a license, conditions of production ensuring social security, environmental protection, life and health of citizens and high quality goods (works, services), which are the result of production, should be taken into account.

Law "On minerals" was adopted on July 2, 1997. The law determines property rights and obligations on using minerals: "minerals of the Kyrgyz Republic can be public, municipal, private and other patterns of ownership". Municipal, private and other patterns of ownership can include only small-scale widespread mineral deposits where minerals outcrop on daylight of land plots of owners. The law distributes field of competence between the Government of the Kyrgyz Republic and local public administrations and local government.

The law sets conditions of issuing license for use of minerals of the republic, procedure of granting the right to use minerals and specifies that minerals are allowed to be used for:

1) geological exploration;

2) develop mineral deposits, including anthropogenic ones;

3) construction and exploitation of underground structures not related to extraction of minerals (storage of oil, gas and other substances and materials, burial of harmful substances, use of heat of the land and other needs);

Legal and physical persons of the Kyrgyz Republic and foreign states can be users of minerals.

Maximum license area and minimum annual investment in geological exploration per a unit of license are set by the Government.

License for geological exploration provides its holder with exclusive right to explore license area within 2 years with subsequent prolongation of license up to 10 years providing that terms of the license agreement are fulfilled. License holder gives back the explored part of license area (geological allotment) within time limit fixed by the license agreement.

In addition, license holder, upon agreement of the state body on use of minerals, can give the rights for license in pledge to third parties for additional financing of the project on license object (transfer of the right for license in the capacity of pledge is carried out in accordance with the requirements of the law of the Kyrgyz Republic "On pledge' and other normative and legal acts).

Law "On restraint on monopolistic activity in the Kyrgyz Republic" was adopted on April 15, 1994. The law regulates relations connected with development of competition on goods markets in the Kyrgyz Republic and restraint on monopolistic activity observing international economic agreements and relevant acts of international organizations membership of which the Kyrgyz Republic has.

The law prohibits actions taken by an economic player having a dominating position which result or can result in significant restraints on competition and (or) infringe upon interests of other economic players or citizens. Economic players are obliged, upon request of state antimonopoly body of the republic, to submit authentic documents and other information required to fulfill antimonopoly duties.

To prevent domination of certain economic players, preliminary state control over creation, merger and accession of economic players is exercised.

If economic players carry out monopolistic activity and (or) their actions lead to restriction of competitiveness, they can be separated forcibly.

Law "On coal" was adopted on December 29, 1998. The law stipulates that the Government of the Kyrgyz Republic is in charge of coal deposits and carries out state regulation over extraction and use of coal directly and through state authorities. Local governments and local state administrations engaged in extraction and use of coal also have their own duties. The law specifies main requirements to the extent of geological exploration of coal deposits, determines need for availability of license enabling to use minerals and other kinds of activity related to increased danger, sets environmental requirements and safety regulations, etc.

For the purpose of compliance with quality standards of coal and other requirements, relevant standards and technical requirements to coal and products of its processing are developed in the stipulated order and its obligatory certification in accordance with the existing legislation of the Kyrgyz Republic is fulfilled.

Regulatory institutions of energy sector

State Agency on Energy (SAE) under the Government of the Kyrgyz Republic is responsible for regulation of energy sector. State Inspectorate on Energy and Gas under SAE is responsible for supervision and control. In spring of 2005 SAE was abolished and its responsibilities were handed over to the newly established National Agency on Antimonopoly Policy and Development of Competition and State Inspectorate on Energy and Gas under the Government of the Kyrgyz Republic respectively. At present, function of regulation of energy sector is handed over to Ministry of Industry, Energy and Fuel Resources (MIEFR). The short description of responsibilities of different ministries and state bodies related to energy sector is provided below.

MIEFR was handed over functions on strategic planning, assessment and prognostication in the area of fuel-energy complex as well as function of rendering assistance in development of new technologies, know-how in energy sector for the purpose of developing basic and applied sciences in energy sector, development of production and energy supply, promotion to development of renewable energy resources.

MIEFR:

- issues licenses for the right for production, transmission, distribution and sale of electrical and heat energy and natural gas, processing of oil and natural gas, construction of electric power stations, substations and power transmission lines;
- carries out harmonization of standards and normative documents for rendering services to consumers of energy resources and improvement of their quality and ensures its introduction in accordance with the legislation of the Kyrgyz Republic;
- set tariffs for electric and heat energy and natural gas;
- work out and approves standard contracts on energy supply regulating rights and obligations of distributing companies and consumers as well as contracts between participants of energy and gas market in order stipulated by the legislation of the Kyrgyz Republic;
- exercises state control over observance of legislation related to fuel and energy complex;

- controls observance of terms of contract concluded between subjects of natural monopolies and consumers of their services;
- controls subsidizing between several categories and groups of consumers and development of proposals on its termination;
- consideration of complaints, proposals, applications of physical and legal persons on issues covered by terms of reference of MIEFR;
- develops mechanisms regulating export and import of electricity.

Interaction between energy companies is regulated mostly by laws “On power engineering”, “On electrical power engineering” and “Rules of electric energy market”.

Main requirements to energy organizations include ensuring safe and reliable energy supply sufficient to meet needs of consumers, providing energy at the prices set by license holder, quality and level of service, availability of quality control system, condition of material and technical basis, qualified and professional staff taking into account standard of education. These requirements must be fulfilled to obtain license.

Licenses are issued by executive Council of MIEFR separately for each kind of activity. Rights and obligations of license holder and licensor are determined in the regulations on licensing of certain kinds of activity. The main goal is to ensure equal conditions and access of all market participants to electrical networks. Such requirements are fulfilled by regulating relevant decision-making: adoption of tariffs, standard contracts both for consumers and energy market participants, development and adoption of rules and instructions.

According to the rules of national electrical network established by Executive Council of SAE, operator of market is JSC “National electrical network of Kyrgyzstan” authorized to fix price on electric power on the energy market. But such mechanisms of market regulation are not applied in the country. National electrical network does not apply the fixed functions and powers.

State Inspectorate on Energy and Gas under MIEFR is a body exercising control and supervision over ensuring reliability, safety and regularity of energy supply during production, transmission, distribution and consumption of heat energy and natural gas by energy companies, all consumers regardless of patterns of ownership and ensuring energy supply. State Inspectorate on Energy ensures observation of national interests in the area of improving energy performance during production, transmission and distribution of electric heat energy and natural gas and reduction of losses of fuel, gas, electric and heat energy during their consumption, prevention of accidents and industrial injuries.

Regulatory function of **Ministry of agriculture, water industry and processing industry** related to energy sector is **issue of licenses for construction of dams on rivers and reservoirs**.

State Committee of the Kyrgyz Republic on administration of government property (hereinafter referred to as State Committee on government property) is a body of public administration of the Kyrgyz Republic representing interests of the Government as owner of state property.

Regulatory requirements include:

- providing agreement to state agencies and businesses to act as founders of created legal entities and withdraw from structure of founders.

Functions of coordination, supervision and control:

- organization of work and coordination of activity of state bodies and business corporations related to denationalization and privatization of state property;

- control over observance of normative and legal acts regulating issues of privity and processes of privatization, issues of management, rational usage and safety of state property;
- coordination of works on improving assessment activities;
- accounting, control and ensuring fulfillment of obligations by buyers, defined by sales contracts on state property.

Ministry of economic development and trade of the Kyrgyz Republic (MEDT). Ministry is responsible for development and submission of proposals jointly with economic players concerning amendments to tax and budget, investment and trade policy. Ministry forms and implements mechanisms of state support in the area of export control, improvement of foreign trade activity, development and encouragement of export and import, maintenance of balance of states' balance of trade.

State agency on environmental protection and forestry under the Government of the Kyrgyz Republic. State agency issues and revokes special licenses for: emissions of polluting substances into environment, dumping of polluting substances into environment and location of wastes in environment.

State agency on architecture and construction under the Government of the Kyrgyz Republic carries out supervision over observance of technical regulations during construction activities. And before their development – supervision over fulfillment of construction requirements and rules and other necessary requirements ensuring safety of constructions and buildings and fire safety, including during reconstruction and capital repairs of buildings, circulation on the market of construction products produced in the republic and construction products, materials, constructions and items imported from other states and exercises control over observance of construction acceptance rules.

Ministry of finance of the Kyrgyz Republic conducts monitoring over target and effective use of foreign official assistance and coordinates activities of ministries, state committees, administrative agencies and local governments on program and project implementation funded by international financial organizations and donor-states and provides for mechanisms of social security of low-income population.

Ministry of labor and social security of the Kyrgyz Republic exercises control over observance of the labor legislation; provides conclusion on compliance of draft construction norms and rules with requirements of the legislation on labor protection.

For the purpose of ensuring control over observance of the legislation on labor, officials of ministries have the right to visit organizations and buildings freely regardless of their pattern of ownership.

State inspectorate on energy and gas is a public executive body which exercises control over compliance of technical regulations with other normative and legal acts as to effectiveness and safety of produced, reconstructed, repaired and supplied energy equipment, exercises control over energy tests of existing and new equipment as well as reconstructed and modernized equipment by businesses, organizations and agencies; allows introduction of tested equipment of buyers, energy companies, new consumers and makes a decision on phasing out electric and heat-consuming equipment which do not meet requirements of effective and safe exploitation and operation safety; conducts technical expertise of proposals of businesses, organizations, agencies and other economic players on energy conservation and introduction of new technologies; develops and endorses draft national and, if required, international (regional) standards, technical regulations and other normative documents related to requirements of energy security, energy performance, registration of energy resources and environmental issues.

2.4. SWOT analysis for energy sector

The low level of management in operations and lack of transparency has created conditions for distorted reporting and development of shadow economy. Quasi-fiscal budget deficit continues to grow (QFD defined by level of overlosses, low level of collected funds for provided energy and tariff rate not covering actual costs) which in fact was 7,6% to GDP in 2005, or 7,6 billion soms; 5,4%, or 6,13 billion soms in 2006; and 4,9%, or 6,9 billion in 2007. This situation was conditioned by low level of money collected (about 86%), high level of losses making up on average about 40% which in monetary terms is 2,4 billion soms, and low tariff rate not covering expenses 1.66 som/kilowatt-hour.

Accounts receivable for electric power as of January 1, 2008 made up 3310,0 million soms and have risen by 4% since the beginning of the year. 2,4 billion som (72%) from the total amount of debts is the share of the population and 28% - of other consumers. Wearing out of equipment made up more than 60% and, as a result, quality of energy supply decreased. 7812 breakdowns were fixed for the first half-year of 2007 which is 34% more than for analogous period of 2006. In whole, figures range from 16 thousand to 18 thousand breakdowns annually.

There are facts of distorted reports on pattern of consumption provided by distribution companies applying social orientation of tariff policy for acquisition of shadow income, thus wrong signals for development of state's market economy are created.

During the long period of time, social and economic problems of the society have been resolved at the expense of those sectors where the state might regulate tariffs. It was the way of protecting the population from rise of price and preventing hyperinflation. That is why in Kyrgyzstan, like in other CIS states, in the result of restraining tariffs for electric power for the population and rural consumers, tariffs have begun to grow for industry, thus distorting the world-wide accepted correlation of tariffs for industry and population.

At present, there are several hidden cross-subsidies between different groups of consumers of electric, heat energy and natural gas such as:

- Export of electric power subsidizes consumers of domestic market by electric power as well as heat energy.
- State budget subsidizes consumers of natural gas.
- Industrial consumers subsidize the population and rural consumers by electric power.
- Consumers in cities subsidize consumers in rural regions.
- Existing mechanisms of hidden cross subsidies distort the real state of play and create:

- Lack of transparency;
- Power engineering specialists and consumers do not have stimulus for energy conservation and reduction of costs.
- Complexity of a long-term planning.

The situation on export of electric power over the last 10 years demonstrates that export earnings will be unstable and, therefore, unwarranted. Analysis shows that, regardless of volume of export deliveries, total expenses of maintaining energy sector have not changed.

Kyrgyzstan is used to rely upon income from export of electric power (mainly in the form of compensating fuel) for cross subsidizing of domestic market by electric and heat energy. In JSC "Kyrgyzenergo" over the last 6-7 years, annually, approximately 70% of actual operating costs of production of heat power and small volume of capital investments and payment of debt of the whole energy sector are covered at the expense of export earnings from export of electric power. Domestic market of Kyrgyzstan is characterized by wide application of subsidizing mechanism such as support of tariffs and prices on the level below economic value for all categories of the population which results in price misbalance, leading to extremely wasteful energy consumption.

The society is differentiated based on income and at the same time everybody is granted a subsidy in payment for electric power, thus principle of social justice is not observed. One part of the population must pay the actual price of energy while the other – low-income part of the population – must pay part of the amount based upon their financial facilities and the rest of the amount must be covered by social security.

Fixed tariffs for industrial consumers exceeds two times tariffs for the population and rural consumers (see table 2.9) while actual costs of the population and rural consumers higher twice. To date, industrial consumers are not able to carry the burden of subsidies as due to rise of price of electric power their product turns out to be expensive and noncompetitive. High tariffs for electric power do not give opportunities to industries.

Table 2.9. The dynamics of tariff's changing for 1996-2000 (a – Kyrgyz tiins for kWhr, b – US cents for kWhr)

	1996		1997		1998		1999		2000	
	a	b	a	b	a	b	a	b	a	b
Average	11,4	0,98	16,2	0,93	18,1	0,62	23,8	0,52	30,5	0,63
Industry	17,4	1,50	25,1	1,44	29,2	0,99	43,8	0,96	61,4	1,27
Rural consumers	7,8	0,67	9,4	0,54	11,1	0,38	18,1	0,40	26	0,54
Others	15,3	1,32	20,6	1,19	22,2	0,76	31,8	0,70	45	0,93
Population	6,9	0,59	9,6	0,55	11,1	0,38	14	0,31	17,2	0,36

Sources: data provided by SDRFEC under MIEFR of KR

A. The average tariff rate (per 1 kilowatt-hour – 1, 37 in 2003, 1,45 cent in 2005) is lower substantially than cost price (2,25 cent per 1 kilowatt-hour) despite the fact that big losses are incurred during transmission and distribution of energy[30]. Despite subsidizing consumption of electricity, consumption tends to fall; partly due to its low quality and insecurity of its supply consumers begin to turn to other, more expensive energy resources such as firewood, gas and coal.[31]

The dynamics of tariff's change in 2005-2007 ranged from 1,45 to 1,86 cent/kilowatt-hour. It should be mentioned, that Kyrgyzstan's tariff for electric power during production, transportation and distribution is the lowest not only in the region, except Tajikistan, but among the CIS states as well. Tariffs are lower 2-3 times compared to Kazakhstan and 1,5-2 times compared to Uzbekistan. So, in 2007 average tariffs for consumers in Azerbaijan were 7,23, Armenia – 6,0, Belarus – 7,56, Georgia – 6,5, Kazakhstan – 5,3, Moldova - 8,34, Russia – 4,6, Tajikistan – 1,98, Uzbekistan – 3,14, Ukraine – 4,45 cents[32].

There is an urgent need for conducting reforms of pricing for electric power. It is necessary to move stage-by-stage in the direction economic tariffs instead of cross subsidies. Tariffs must be differentiated and fixed based on voltage class depending on costliness.

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[30] Technical losses during transmission and distribution of energy caused by old equipment made up 24% of the total volume of produced electricity in 2004. Moreover, commercial losses at the rate of 25% resulted from the fact that businesses were not able to present a bill for its clients as a result of ineffective operation system of meters and collection of debts (DFID, 2003). Corruptibility and related underestimation of the consumed electricity by inspectors are reported to be commonplace.

[31] Breakdowns of energy systems take place quite often and power surges and risk of low voltage put out of operation electric devices.

[32] Data provided by State Department on Regulation of Fuel and Energy Complex under Ministry of Industry, Energy and Fuel Resources of the Kyrgyz Republic.

The existing price level of electric power does not ensure covering the expenses. Therefore, new tariff policy was adopted since April 23, 2008. According to the proposed pace of tariff increase, average tariff for electric power is expected to make up 1,66 som/kilowatt-hour (about 4-5 cents) by 2012. For these purposes, it is expected to provide for profits on return on investment in tariff structure of electric power.

In order to cover real economic expenses in future, tariff for end-users will be based on expenses of energy supply for end-users which change depending on voltage.

In connection with the fact that tariffs for electric power in fact were not changed within 2005-2007, investment attraction of the sector deteriorated. It should be mentioned that, at present, energy sector is not attractive for a potential investor due to unprofitableness of the sector. Certain risks of electric power engineering make attraction of investment from strategic investors quite difficult. According to estimates of experts of SDRFEC under MIEFR, the volume of investment shown in Table 2.10 must be maintained for the purpose of ensuring reliable operation of energy sector, though in consideration of the current situation these volumes can turn our to be insufficient.

Table 2.10. Demands for investment in energy sector of the Kyrgyz Republic for 2009-2012, million soms

Energy companies	*2009*	*2010*	*2011*	*2012*	*Total*
OJSC “Oshelectro’	220.493	232.548	36.876	36.876	526.793
OJSC “Vostokelectro”	255.259	255.259	255.259	255.259	1021.036
OJSC “Jalalabadenergo”	645.725	638.400	623.600	-	1907.725
OJSC “Severelectro”	1054.390	1084.429	147.038	119.228	2405.085
OJSC “Electric stations”	4292.030	2260.000	1205.800	2716.900	9934.730
OJSC “Bishkekteploset”	167.380	145.211	258.670	238.480	809.741
OJSC “NES of Kyrgyzstan”	835.090	2211.000	5477.000	5477.000	14000.090
Total:	**7470.036**	**6826.847**	**8004.243**	**8303.743**	**30605.200**

Source: the State Department on Regulation of Fuel-Energy Complex

Decision on tariff regulation is prepared by the State Department on regulation of fuel and energy complex (SDRFEC) under Ministry of industry, energy and fuel resources (MIEFR). The final decision is made by the Executive Council (EC) consisting of Minister of MIEFR – chairman, Director of SDRFEC and Deputy Minister of economic development and trade (MEDT), members of the Council. Decisions on tariff are made openly, registered with Ministry of justice and published necessarily in mass media. If the stipulated procedure is not observed or if there are other violations, this decision of EC can be appealed juridically. Each participant of energy sector (including consumers) who disagree with decision on tariffs can appeal it juridically. EC has not absolute independence; it should coordinate its decisions with the Government. EC also makes decisions on heat energy and natural gas. Methodology applied in respect of them is the same as in energy sector.

Therefore, the following problems exist in energy sector:

- Growth of energy consumption. Lack of demand.
- wearing out of equipment
- high level of losses in networks
- low level of collection
- dependence on subsidies
- ineffective management
- legislative and institutional system suffers from weak and inconsequent implementation.

From the above-given analysis of the republic’s energy, the following SWOT diagram can be prepared for energy services sector.

Strengths	Weaknesses
– Hydropower resources which remain unused are being used only 10% of the whole potential; – The Kyrgyz Republic has 50% of coal reserves of Central Asia; – Geographical proximity to the big populated centers in the region; – Increasing basis of the human capital in the hydropower sector; – The multinational companies are interested in entering the national and regional markets under "the right market conditions"; – Current new legislation is facilitating the third part to get an access to the electricity network and natural gas distribution network; – Grants for national business which refers to government ownership encourage inclusion of private sector.	– Incompleteness of FEC reforms on subsoil use, there are incomplete FEC reforms and lack of integrated goal vision and methods of reforms; – Limited potential for the electricity transmission and natural gas distribution infrastructure; – Dependence of Heating Station in Bishkek city upon import of power resources (coal, mazut, gas); – Hidden cross subsidies between different groups of consumers of electric, thermal power and natural gas; – Presence of quasi-fiscal deficit in power industry; – Limited potential for increased internal investments in the sector; – Limited geographical coverage of gas distribution networks; – Lack of personnel in development and marketing the energy services; – Cumbersome administrative and planning procedures are the main limitation to sector development.
Opportunities	**Threats**
– Growth of production and improvement of reliability of power supplies to domestic consumers at the cost of reforms in energy sector, improvement of management of energy companies; – Construction of new generating stations of any capacity under participation of private sector or 100% private station; – Increase of production and export of electric power by enhancing capacities of heating and hydro stations; – Enhancing export position at regional market of electric power; – Introduction of energy saving activities, technologies; – Self-provision with coal and export of coal to neighboring countries in the region; – High and increasing level of unmet demand for electricity and gas in the national and regional markets; – Increasing incomes per capita will let us	– Competition from the part of emerging regional players may diminish the business justification and prospects; – Universal service obligations and limitations to foreign ownership are currently diminishing the foreign investments; – Aging infrastructure on the electricity production and distribution in city centers; – Growth of power shortage; – Macroeconomic dependence of republic from energy sector having the capability to influence the state budget; – Advance introduction of generating capacities in countries – potential importers of Kyrgyz electric power and subsequent refusal of the republic's power.

raise prices for electricity necessary for full restoration of costs of distribution and maintenance; – Commercial development of the energy sector from the system of waste is in process of designing in the city centers which are supplied from the national electricity network; – Posting requirements for execution of foreign participation in the sector may produce important incomes from transfer of technology.	

CHAPTER 3. NATIONAL SERVICES POLICY REVIEW OF THE TOURISM SERVICES SECTOR

According to the World Council on Tourism and Travel, the portion of tourism in world GDP made up 3,6% but taking into account the contribution of related sectors – 10,4%. Many countries of Europe such as Switzerland, Austria, France, Bulgaria, the significant part of their welfare built on income from tourism. Thus in Austria 8,6% in GDP comprises of direct receipts and 15% - earnings with account of multiplier effect, in Spain accordingly 6,8% and 18,2%, in France – 4,1% and 10,9%, in Croatia – 8,5% and 19,0%, in Great Britain – 3,4% and 9,1%, in Canada – 3,4% and 11,0%, in Bulgaria – 4,1% and 14,5%.

So the international tourism the distinctive feature of which is that a significant part of services are carried out with minimum costs in place, it plays increasingly remarkable role in world economy. Undoubtedly, rapidly developed system of low-budget aviation passenger transportations also makes its essential contribution to stimulating demand for tourist travels. This is all in aggregate allowed increasing the number of international tourist arrivals to Europe for more than 22 mln.

For the last years world tourism industry encounters with constantly growing level of competition between countries both inside and outside of its region. Thus enhancing of competition both in the demand-side structure of the tourism service sector and the supply-side market of the tourism sector is one of the essential tendencies of development of the world tourism.

As far as economic benefits acquired from tourism become more and more evident, the relationship of countries to international tourism becomes progressively loyal and leads to decrease in number of limitations.

For the last years, the tendency for intensifying measures on environmental protection is clearly observed. Decisions on issues of water and air treatment, waste disposal, nature and animal protection, etc. are discussed and taken at the state level. In most cases the consideration of issues related to environmental protection is combined with the issues of tourism development and, undoubtedly the increased attention to those issues create conditions for appearing of new tourism products both at individual tourism level connected with ecological interests and at the level of mass tourism.

One more tendency is concerned with that the majority of Europeans live in crowded urban regions. This is largely formulates tourist preferences toward country tourism, short-time rest, recreation out of high season, active kinds of tourism short travels to other cities for informative purposes, selection of tours with accommodation not in hotels but apartments with self-service and etc. In perspective it is expected that as long as the world would become more studied and there would be less new tourist centers, a tendency for travels to more remote, less known and places which are difficult to access would be enhanced.

Tourist preferences of foreign tourists mostly connected with high level of service and reasonable proportion of price and quality. Those conditions currently and in future will be preferable in selecting tourist travels.

Thus, the common tendency is polarization of tourist preferences on one hand characterized by strengthening of positions of mass tourism in developed tourist countries, and on the other hand by increasing of demand for individual or specialized tourist product. It requires constant active measures from the part of countries developing tourism directed at allocation of priority kinds of tourist product and creating of conditions for achievement of acceptable proportion of their price and quality.

When conducting state policy in the field of tourism, national tourist administrations of majority of countries take into account forecasting of tourism development worldwide made out by the World Tourism Organization – the largest non-governmental organization which is a specialized institution of the UN and numbers 153 countries. According to UNWTO "Tourism – panorama 2020", increase of world tourist arrivals for the period between 2000 and 2020 is forecasted as twice.

3.1. The role and effectiveness of tourism services sector in national economy

The role of tourism services sector in the national economy

International tourism is now one of the most rapidly developing sectors of foreign economic activity. Steady growth of tourism influence both on world economy as a whole and economy of individual countries and regions is one of the most significant, constant and long-term tendencies which accompanies formulation and development of world economy.

Kyrgyzstan possessing unique natural resources and original culture of nomad people, has a great unrealized potential for developing tourism at international and regional markets.

The tourist potential of recreational resources and historical and cultural heritage, and also originality, uniqueness of customs, traditions of the Kyrgyz people and having wide popularity in the world markets production of craft sector allows Kyrgyzstan to be integrated harmoniously into the international market of tourism and to reach intensive development of tourism in the country. It will provide steady growth of employment and population incomes, stimulation of development of adjacent branches with tourism and increase in inflow of investments into national economy.

The tourism industry in Kyrgyzstan at the state level is recognized as one of the priority sectors of economy. The analysis of statistical and empirical data indicates the growing interest to Kyrgystan's tourist product and favorable tendencies of growth of quantity of tourists and expansions of commodity markets.

The republic becomes more attractive to businessmen, sportsmen, scientists, fans of extreme rest, and also for people who are interested in history and today's situation of the countries located on the Great Silk way.

The last tendencies show transformation of tourism in Kyrgyzstan into significant independent sector of the national economy the activity of which is directed on satisfaction of specific requirements of the population.

System of indicators of tourism sector and related sectors.

The indicators of tourism and related sectors will provide government bodies, businesses and the public with awareness on direction and pace of dynamics of tourism development in Kyrgyzstan.

Tourism indicators[33]

1) Tourism share in GDP - 5,6% GDP in 2011. It is an overall indicator which determines the place of sector in the country's economy. The growth of share, respectively, means the growth of importance of tourism sector. Achievement of share by 5,6% of GDP at the average GDP growth 105,5% within three years means the sector's growth for that period approximately by 60% - it is quite intensive and appropriate objective meeting with the efforts made by government bodies;

2) Export of tourist services – 600 mln. US dollars in 2011. It is an overall indicator determining income of economy from tourism. Taking into account that tourism is

[33] Индикаторы 1-4 определены в СРС 2009-2011 гг.

determined as a priority sector of economy, for development of which Kyrgyzstan has all prerequisites, increase of export will speak of success of the state economic policy;

3) Number of arrivals of foreign citizens – 2,4 million people in 2011. This is a common indicator which enables to determine attractiveness of the country for foreign tourists;

4) Investments to basic capital in tourism sphere – 11,0 billion som in 2011. As it will be seen further, the country's tourist infrastructure requires significant improvement and this indicator enables to track development dynamics of tourism sphere.

5) Number of hotels and other accommodation facilities which are obtained certificate of conformance – 70. At the present, the hotels and other accommodation facilities in republic are not subjected to certification. This procedure starts to be introduced at this moment. It will be carried out on a voluntary basis. However it is supposed that the certificate of conformance gives the significant competitive advantage. At the same time, the state gets some opportunity to control the quality of hotel services and accommodation facilities;

6) Number of tourism employees who have obtained qualification of employee of tourism sphere. The work goes on now on inclusion of profession of tourism sphere employee into the list of official professions. At that, the relevant requirements for person's qualifications who is applying for position of specialist in that sphere are on the stage of drafting. It will also allow improving the quality of tourism services.

Indicators of related sectors

1) Increase of ranges of reconstructed and newly constructed roads – for 1700 km. till 2011. This indicator reflects availability of the country's tourist resources for foreigners and Kyrgyz people and quality of rendered services;

2) Number of cities of the world, with which Kyrgyzstan has regular air communication – 30 by 2015. This indicator reflects the availability of tourist resources for foreigners and quality of services rendered;

3) Number of cash machines and bank branches serving international systems of payment cards (VISA, Master-card and others) in regions – presence in the centers of all village councils (ayil okmotu) in 2015. This indicator reflects the quality of tourist services in Kyrgyzstan;

4) Coverage by telephone communications and Internet of territories in regions (including by technologies of mobile internet – GPRS, 1x и EV-DO) – 100% coverage of populated territory by 2015. This indicator reflects the quality of tourist services in Kyrgyzstan;

5) Earnings of reserves, special nature reserves and natural parks – attaining 50% self-sufficiency by 2015. Reserves and special nature reserves are one of the main tourist resources of the country. At the present, they are financed from the state budget and that financing is not sufficient for their development. At least, 50% self-financing will mean that special nature reserves and reserves effectively use their tourist potential;

6) Real growth of handicraft sector – 10% per year. Handicraft sector produces the bulk of souvenirs for tourists. Growth of sector will mean the growth of demand from the part of foreign tourists that will indicate increase of Kyrgyzstan's popularity as a tourism country.

Focus of the NSPR in terms of the tourism services sub-sectors.

The WTO Services Sectoral Classification List (document MTN.GNS/W/120) includes a distinct entry (number 9) for Tourism and Travel related services, and identifies four tourism related sub-sectors:

- Hotels and restaurants (incl. catering);
- Travel agencies and tour operators' services;
- Tourist guides' services;
- Other.

The United Nations Provisional Central Product Classification (CPC) , conversely, does not include a separate entry for tourism services, but covers them under various Divisions of Section 6: - Lodging; food and beverage serving services (63); Land transport services (64); Water transport services (65); Air transport services (66); Supporting and auxiliary transport services (67). The latter, in particular, comprises the Travel agency, tour operator and tourist guide services (group 678).

For the purpose of analysis, the following sub-sectors of tourism sector will be considered in the Review:

- Hotels, Sanatorium-and-spa institutions, other recreation and tourism centers
- Recreation and tourism centers
- Restaurants;
- Transport services;
- Workmanship;
- Nature reserves and natural parks.

In addition, a brief analysis of associated sectors which have not direct relation to tourism sector but having a significant influence on tourism development in the country will be analyzed:

- Communications;
- Insurance;
- Financial sector.

3.2. Tourism sector and national development objectives of the Kyrgyz Republic

Tourist Services Sector

The world industry of tourism developed in rate faster than world gross domestic product for the last four decades. The international tourism, in particular, can involve FDI and generate employment and the added cost, receipts from foreign currency and tax revenues. Under favorable conditions, tourism can also stimulate strong multiplicative influences. Tourism growth, probably, will keep advancing general economic growth in the future due to various factors, such as globalization, economic development in developing and transition countries, increasing incomes and demographic changes in the developed countries.

The tourism sector is one of the important branches of economy of the Kyrgyz Republic. The importance of sector is underlined by presence of special state body which is responsible for promotion of state policy in the field of services in the country - the State Agency on Tourism of the Kyrgyz Republic.

Tourism is one of the nine priority directions raising potential of development of economy of Kyrgyzstan which include the Fuel and energy complex, Mining, Transport and

Incut 3.1.
«The main purpose of development of tourism in medium-term will be to formulate modern sustainable and competitive tourist complex capable of satisfying the needs of foreign and domestic tourists in qualitative tourist services with broad geography of services export. Tourism shall become a high-profitable sector that generates employment. At the same time, ecological and social orientation shall remain as guiding principles of functioning of the sector..»
Country development strategy on 2009-2011

Communications, Agricultural complex, Trade, Construction and Innovative activity. It is reflected in the Strategy of development of the country for 2009-2011 - the basic document of the Government of the Kyrgyz Republic which represents strategic vision of development of the country for the medium term period.

In addition, the statistical and empirical data witnesses the growing interest for tourist services of Kyrgyzstan.

The priority of tourism sector is stipulated by the following factors:

1. Kyrgyzstan does not have easily available fossil resources which might be the basis of economic growth. In that case the high natural-recreational potential of the country like tourist resource may become such trigger.

2. Kyrgyzstan practically has all conditions to develop all kinds of tourism;

3. Tourism does not lead to exhaustion of natural resources.

4. Being export-oriented sphere, tourism shows great stability in comparison to other sectors in the conditions of instable situation at world markets.

5. Development of tourism involves development of many other sectors of country’s economy. At the same time tourism is itself dependent on those sectors by its sector.

6. Tourism has the great capacity in terms of providing population with employment (this affirmation comes from item 5).

As seen from table 3.1, in 2008 the share of gross value added cost of tourism in GDP since 2003 has increased by 5 percentage points, having reached 4,1 % (see table 3.1), thus in 2008 the value added cost of sector has exceeded by 31% construction sector. At the same time the average nominal growth was over 21 % per annum. Along with that for those 5 years export of tourist services in dollar measurement has grown in 10,7 times.

Table 3.1. Some indicators of tourism of the Kyrgyz Republic during 2003-2008[34]

	2003	**2004**	**2005**	**2006**	**2007**	**2008**
GDP, mln.som.	**83 871,6**	**94 350,7**	**100 899,2**	**113 800,1**	**139 749,4**	**185 013,6**
GVAC of tourism, mln. som	3 010,9	3 372,2	3 303,9	4 015,8	5 598,3	7 612,5
GVAC tourism, %	3,6	3,6	3,3	3,5	4,0	4,1
Export of tourist services, mln. USD	**47,8**	**75,3**	**70,5**	**164,6**	**341,7**	**509,2**

Sources: National Statistical Committee of the Kyrgyz Republic

The variety of these requirements is satisfied not only by the tourist enterprises, but also the enterprises of other branches. Thus, tourism is of great importance as one of the factors of multiplicative influence on economy development.

Since the most of territories of Kyrgyzstan are mountains, then exactly they are the most attractive resource for tourists from far abroad. Adventure tourism is in great demand on the world tourist market.

For the last years, the attractiveness of tourist business has been growing; it is demonstrated by growth of number of tourists in republic and growth of volumes, export and income from tourist services. The number of registered objects of tourism sector is witness of that – as on

34 The source of all statistical data for the Kyrgyz Republic is based on data of the National statistical committee of the Kyrgyz Republic, unless otherwise specified. Data for 2008 are preliminary and the given report contains the aggregated indicators for 2008 only (more complete information on tourism sector will be available in 3rd quarter of 2009).

1st January 2008 their number has grown for more than quarter in comparison with number as on 1st January 2004 (see table 3.2).

Table 3.2. Registered economic entities of tourism sphere in 2003-2009, on January 1

	2004	2005	2006	2007	2008	2009
Number of entities	4255	4601	4787	5036	5321	5424

Sources: National Statistical Committee of the Kyrgyz Republic

The number of operating entities of tourism has appeared much less, than registered (see table 3.3). The growth has also turned out to be comparatively small – 106,5 % from 2003 to 2007. The number of employees of tourism enterprises and organizations has decreased by 9,3 % for four years.

Table 3.3. Some indicators of tourism in 2003-2007.

	2003	2004	2005	2006	2007
Existing collective means of accommodation and tourism enterprises for close of year, units	349	410	384	386	372
Average number of employees of tourism enterprises and organizations, person	6635	6571	6497	6507	6017
Labor productivity, mln. som/person.[35]	0,454	0,513	0,509	0,617	0,930

Sources: National Statistical Committee of the Kyrgyz Republic

In general, the sector under common tendency of reduction in number of employees shows the leading rate of tourism statistics i.e. productivity of labor in sector has grown (for more than 2 times from 2003 to 2007).

Totally in aggregate 0,3% of all employed people work in enterprises and organizations of tourism sphere of Kyrgyzstan's economy.

Unfortunately, the development of tourism is not accompanied by increasing of tax receipts from that sector (see drawing 3): tourism provides the lowest volume of taxes from sectors recognized as priority in the country. On the one hand, it makes the sector sufficiently attractive for entrepreneurs; on the other hand it indicates the weakness of fiscal bodies and imperfection of tax legislation in the area of tourism.

Transport sector stands by itself. Transportations of tourists during the period under review has grown significantly for more than 2,2 times, having made up more than 5 million passengers in 2007 (see table 3.4). The portion of tourists in total volume of passengers has grown respectively from 0,5 to 1,0%.

Table 3.4. Passenger traffics by all types of vehicles in 2003-2007.

	2003	2004	2005	2006	2007
Passengers carried in – total, mln.persons	440,1	453,1	445	453,6	470,7
Tourists carried, mln.persons	2,2	2,9	4,3	4,7	5,0
Share of tourists carried in total carriage, %	0,5	0,6	1,0	1,0	1,1

Sources: National Statistical Committee of the Kyrgyz Republic

Development of tourism of Kyrgyzstan in 2003-2007 has determined the revival of investment of sector. However the main investor until 2006 was the USA (see table 3.5). In 2007 the situation has changed in favor of investors from Kazakhstan. Thus in 2007 investments from the USA were remaining approximately at the level of 2003-2005, as well as investments from Russia, but investments from Kazakhstan have grown for more than 3

[35] Indicator is calculated individually according to formula Labor productivity = VAC sector / average number of employees

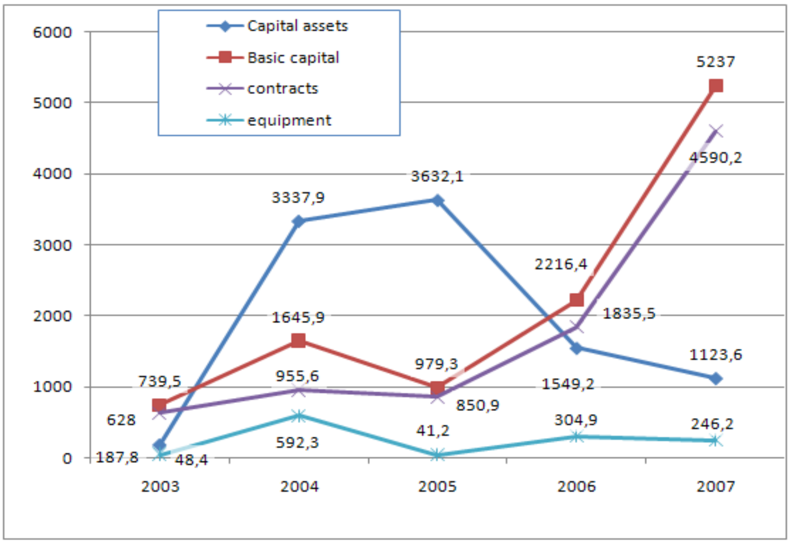
times. As a result the volume of investments in 2007 with respect to 2003 has grown for more than 2,5 times (or by 44 % than in 2006).

Table 3.5. Receipt of FDI in tourism sector by countries in 2003-2007, thousand USD

	2003	2004	2005	2006	2007
Total	**6419**	**7840,9**	**7231,1**	**11223,2**	**16174,1**
From countries except CIS	4586,9	5299,0	4895,1	7781,2	4808,0
USA	2769,6	4586,4	4019,6	4468,4	3674,6
From CIS countries	1832,1	2541,9	2336,0	3442,0	11366,1
Kazakhstan	353,8	1777,4	1556,7	2962,2	10655,5
Russia	857,3	453,1	504,0	72,8	663,6

Investments, mainly, were moving to basic capital, however, the volume of contract works were growing with advanced rates which was conditioned by rise in prices of construction services (see Drawing 3.1). The level of investments into equipment, tools and inventory has turned out to be approximately at the average value level for previous four years.

Drawing 3.1. Investments to basic capital in the area of tourism in 2003-2008, million soms



Sources: National Statistical Committee of the Kyrgyz Republic

Main players in tourist services sector. Except travel agencies, hotels, specialized accommodation facilities, transport enterprises play the most important role. However there is a clear “distribution of responsibilities” between types of vehicles: if air and railroad transport mainly serve tourists crossing the state border, then car and water transport provide movement of tourists inside the country.

Tourism policy at the state level is determined by the State Agency on Tourism under Government of the Kyrgyz Republic. This body actively carries out its activities on promotion of Kyrgyzstan as a country of tourism. Those activities include conduction of tourist exhibitions and fairs within the country, such as Kyrgyz International Tourist Fair-Exhibition «BITF» in Bishkek, conducting festivals of Santa Claus, participation in international tourist exhibitions, forums, implementation of broad information campaigns, etc.

This agency has made an advertisement of Kyrgyzstan’s tourist potential in the world. It has its own web-site[36], where you may find basic information about country. It drafts, makes and

[36] http://kyrgyzstan-tourism.com/

distributes appropriate posters, placards, postmarks and postcards, arranges information tours for foreign mass media, business circles and tour organizations, i.e. arrangement of PR-campaigns of the country's tourist potential is mainly carried out by the State Agency on Tourism. Unfortunately, the rest players of tourist market take rather passive position. Certainly, tourist agencies rendering tourist services around the country, place the relevant advertisement on sites and booklets, but those efforts are not sufficient and general impression of the country people of other countries receive from news which is not always characterizing Kyrgyzstan from the beneficial perspective.

Tourism is quite dependent on general conditions created for entrepreneurship in the country. Those are legal documents regulating the activity of small and medium-sized enterprises, export of goods and services, crossing of state border by foreigners and conditions of their stay in the country, etc.

Thus, the development of tourism in the country depends on many institutions: Ministry of Foreign Affairs determines Kyrgyzstan's visa policy and many specialists state that in spite of the number of facilitations for receiving visas by foreigners, so far there are still certain difficulties which make difficult to access tourists to Kyrgyzstan. Mainly, it concerns insufficient number of consulates abroad. The problem can be solved by participating of Kyrgyzstan in the Agreement on Special Visa Space, such as, for instance, in the discussed project «Silk Way», which intends to introduce a uniform regional visa integrating five countries of «Silk Way»: Kyrgyzstan, Kazakhstan, Uzbekistan, Tajikistan and China. In the case, our country can use the whole broadened network of diplomatic representations of all those countries. Moreover, such visa sharply increases awareness of foreigners about tourist opportunities of the country.

Force ministries, such as Ministry of Internal Affairs and Ministry of Emergency can also be important actors of tourist market. They are responsible for the security of citizens and guests of the country and the country's image directly depend on their quality and effectiveness of work. Special trainings for policemen devoted to the rules of conduct in conversation with tourists are conducted regularly in Kyrgyzstan.

Regulatory basis regulating sectoral activity. The main sectoral law is the Law of the Kyrgyz Republic "On Tourism". There are also by-laws which determine the responsibility of government agencies in respect of tourists in terms of providing their security and other issues of their staying in the country, as well as their rights and obligations. Unfortunately normative-legal basis including the Law on Tourism which regulates tourist activity on territory of Kyrgyzstan currently (for beginning of 2009) does not meet the modern requirements and now there is a process carrying out on improvement and optimization of legislative basis of the sector.

As it was said above, the main guidelines for sustainable development of the Kyrgyz Republic including tourism are put into the Country Development Strategy for 2009-2011 (CDS).

Tourism falls under regulation of the majority of all laws of the Kyrgyz Republic as tourist activity covers many economic and other spheres including:

- Small and medium-sized enterprise;
- Fiscal regulation issues;
- Investment attraction;
- Issues of national security (including economical) and law order;
- Issues related to preservation of historical and cultural inheritance;
- Others.

Among problems and barriers facing to sector of tourism, experts note safety issues of tourists and a problem of access of foreigners to tourist services of Kyrgyzstan - a question of visa support. That is in the legislation there is a problem of inconsistency of work of departments in tourism development in the country. Probably, there is a phenomenon of departmental «disinterestedness» shown by the institutes which directly are not responsible for implementation of strategy of development in tourism sector.

Giving the general assessment of regulatory issues, it is necessary to note that gaps in legislation in general and particularly in tourism exist in the majority of the countries of the post-Soviet space. However the normative base of Kyrgyzstan, thanks to that it has passed process of harmonization with legislations of others, more "adapted" for market relations, the countries during accession of Kyrgyzstan to the WTO, is more perfect than in the CIS countries.

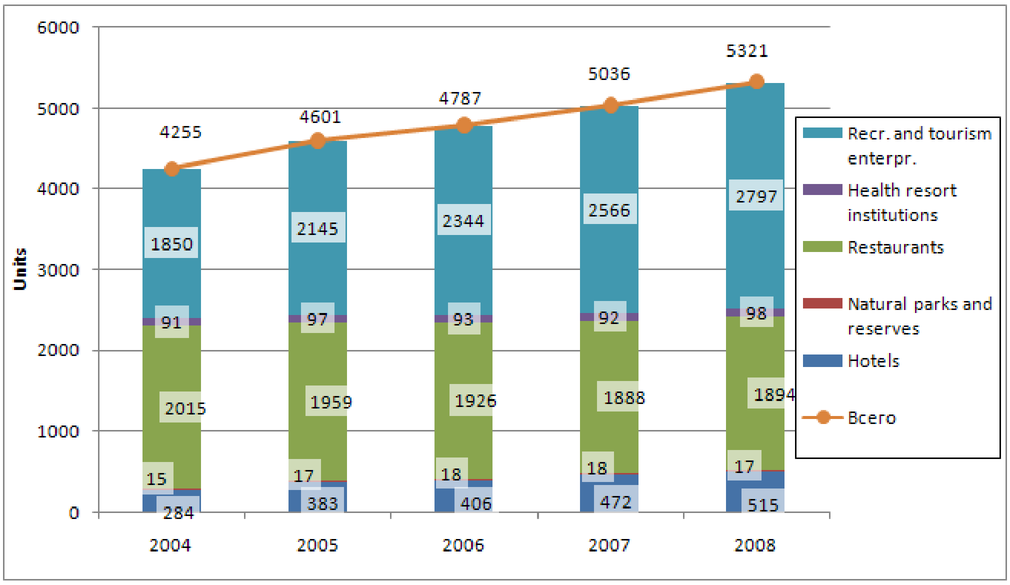
Market structure of tourist services sector

As noted above, tourism in Kyrgyzstan is proclaimed as the priority sector of economy. Owing to features of the sector, existing competitive advantages of tourism services in territory of Kyrgyzstan and thanks to consecutive state policy on sector development, a quite stable market of tourist services was developed for now with prevalence of a private sector.

The infrastructure of services existing today yet does not meet requirements of actively developing tourism in the republic, however, it can become a basis for creation of more modern infrastructure complied with world standards and considering ecological requirements.

As of 1st January 2008 about 5 321 economic entities are registered in the Kyrgyz Republic legal entities, their branches and representations, and natural persons the activity of which is connected with tourism sphere. Among them 515 hotels, 2 767 recreation and tourism enterprises, 1 894 restaurants, 98 health resort institutions, and also health and fitness centers, specialized commercial enterprises, natural parks and reserves. (see Drawing 3.2).

Drawing 3.2. The registered economic entities of tourism sphere by types of services rendered in the field of recreation as on January 1



Sources: National Statistical Committee of the Kyrgyz Republic

At the same time the number of hotels and recreation and tourism enterprises has been growing with advancing rates (by 81,3 and 51,2 % accordingly). The quantity of restaurants has shown negative dynamics only - for 5 years their quantity has decreased by 6 %, that, somewhat may be explained by superfluous quantity of catering enterprises in early 2000, thus supply exceeded demand - in this connection, the competition was strengthened and not all enterprises could sustain competitive struggle.

Some other picture was demonstrated by statistics of operating entities of tourism (see table 3.6)[37]. So, in case of general growth of quantity of tourism entities, the number of hotels since 2004 was reduced, the number of specialized accommodation facilities has been decreased.

Table 3.6. Available collective accommodation facilities and tourism enterprises for close of year, units

	2003	2004	2005	2006	2007
Total	**349**	**410**	**384**	**386**	**372**
Hotels	79	120	120	123	119
Specialized means of accommodation	164	163	150	166	154
Tourist bases	7	9	8	9	11
Sanatoriums	13	13	13	13	14
Children's sanatoriums	8	7	7	6	6
Sanatorium-preventorium	17	17	16	13	11
Holiday centers	10	9	9	11	14
Holiday houses	58	62	53	61	57
Treatment centers	1	1	-	1	1
Recreation centers	4	3	5	6	5
Sports and fitness camps	7	8	7	8	5
Children's fitness complexes	39	34	32	38	30
Travel companies and tour operators, travel agencies and excursions	111	118	105	87	80
Natural parks and reserves	5	8	8	8	8
Other tourism arrangements	-	1	1	2	11

Sources: National Statistical Committee of the Kyrgyz Republic

The same dynamics was shown by the statistics of number of employees of the enterprises and organizations of tourism (see table 3.7). For the last 5 years the number of employees of hotels has decreased by 3,8 %, specialized accommodation facilities - by 15 %. Unfortunately, because of that the majority of enterprises private and establish employment rules by themselves, it is hard to explain this phenomenon. However, one may assume that in connection with the growing prices and downward economic situation in the country, the tourism enterprises were constrained to optimize their expenses. Thus, the most accessible way is the reduction of wages of hired workers and/or reduction of their number.

In addition, it is necessary to take into account the possibility of going away of some enterprises into the shaded-sector for the same reasons.

[37] Number of operating restaurants, bars and other catering enterprises are not provided by the official statistics.

Table 3.7. Average number of employees of tourism enterprises and organizations

	2003	2004	2005	2006	2007
Total in tourism sector	**6635**	**6571**	**6497**	**6507**	**6017**
Hotels, persons	1160	1151	1167	1227	1116
Specialized accommodation facilities, persons	4436	4350	4226	4086	3775
Travel agencies, persons	1039	1070	1104	1194	1126
Average annual number of employed in the economy in total, thousand persons	*1930,5*	*1991,2*	*2077,1*	*2096,1*	*2152,7*

Sources: National Statistical Committee of the Kyrgyz Republic

Tourist product. Virtually, Kyrgyzstan, thanks to its nature, can provide all types of tourism.

The most developed type in the country in *resort-recreational and health tourism*, the base of which is Issyk-Kul Lake as an object with the most developed tourist infrastructure. However we should not miss other places of Kyrgyzstan which have great resort-recreational potential: they are mountainous sanatoriums (e.g. in Vorontsovka village), sanatoriums near springs of mineral water (near Djalal-Abad and in Isssyk-Ata rayon and others), tourism on many jailows. The main problem of this type of tourism is insufficiently developed infrastructure of tourism (buildings, beaches, waste treatment and recycling systems), it concerns all subjects of resort-recreational tourism.

Mountainous relief, many quick rivers, unique fauna specify great opportunities for development of *extreme and adventure tourism*, incorporating such «disciplines», as rafting, mountaineering, hunting and fishing, travelling. The problem which must be resolved shortly is inadmissible low level of security: there is no developed system of registration and accompaniment of participants of extreme and adventure tourism in the country, rescue services are not perfect and even they are not there.

Perspective and relatively new type of tourism in the republic is *ecological and agricultural tourism*. Kyrgyzstan can offer foreigners and domestic tourisms to get acquainted with historical past of people lived in the region, their traditional way of life, handicrafts, folklore. Ecological tours oriented to various categories of travelers, can include such elements of active tourism (sailing on rivers, bicycle trips) with living in camps and yurtas, and "civilized" accommodation in holiday centers, tourist centers and many excursions.

Under certain conditions, there may be such kinds of tourism as cultural tourism, business and congress tourism, entertainment and educational tourism, spa – wellness tourism, religious tourism, event tourism, shopping tourism, gastronomical tourism, etc.

Travel agencies. Approximately the number of travel agencies, tour operators, tourist and excursion agencies was reduced to third since 2003 (see table 3.8), however the number of employees of travel agencies has increased by 8,4 % (see table 3.8). Average number of employees of tourist agencies –has grown accordingly from 9 to 14 persons per firm.

The main stream of tourists passes through private companies. The private sector of tourist industry of Kyrgyzstan started to be formed with reorganization beginning in 1988 when there was created a real possibility for existence of private entrepreneurship. In spite of the fact that for today in Kyrgyzstan there are about 25 thousand economic entities dealing with tourism sphere, about three tens private companies which receive about 90 % of tourists are engaged in activities on reception of tourists.

These companies provide quite broad range of services: a travel agency formulates a tourist package of services of the enterprises of various sectors.

Incut 3.2.

«Tourists from foreign countries have to do more with services of travel agencies/companies, Kazakh people have dealings to a lesser extent and for remained group of tourists, and it is preferable to independently arrange their recreation, at least so far.

Many tourists, having taken advantage of services of travel agencies, were left dissatisfied with service, especially assessment of quality is noted among tourists from Kazakhstan. Almost 52% assessed the quality as «satisfactory» and «poor». Most of tourists from Uzbekistan assessed the quality as «excellent», and third part - poor.

Assessments of tourists from foreign countries have turned out to be in comparison to assessments of tourists of Kazakhstan and Uzbekistan higher but at the same time significant failures are evident in work. Even with account of that the service quality does not always depend on travel company/agency only, the number of reserved assessments can not keep from concerning sectoral business. It is clear to everyone – deficiencies in the work of one company are capable of making negative impact on activity of other players of market»

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Hotel industry is the main component of tourist industry without which development of sector is impossible. The hotel industry acts as one of the major sectors of economy in the majority of the countries of the world as it is one of the most profitable elements. All states show a big interest in developing this sector.

The hotel industry is presented by such means of accommodation as hotels, motels, roadside and beach hotels, and special accommodation facilities. Special accommodation facilities represent establishments which apart from representing accommodation, carry out any special function. E.g. health-improving institutions or congress-centers.

Incut 3.3

«People with different needs and opportunities come to Kyrgyzstan for recreation and places of their basic accommodation are various and variable. For instance, significant changes occurred in basic places of accommodation of tourists: if in 2004 tourists mainly preferred living in sanatoriums/rest houses/vacation hotels then this year tourists gave preference to boarding-houses, rented apartments and living with friends/relatives.

For decrease in portion of tourists who had a rest in sanatoriums/rest houses/boarding houses the lack of bed-rooms have influenced, therefore tourists were forced to settle where it was possible to do.

Assessments of quality of services are almost subjective, but exactly the assessments of consumers despite their subjectivity may serve as a basic guideline for services producers. It is quite good that about 70% of tourists from CIS countries have given good and excellent assessment of services quality in places of main residence.

Evaluations of tourists from Far Abroad have changed for the last years and for good side. The differences in quality assessments are especially evident by categories of places where tourists live mainly.

As usual the highest level of service, according to opinions of tourists is in private guest houses/boarding houses.

Many tourists of Far Abroad have positive assessment of quality of services received in places of main residence. It is remarkable that the highest assessment was given to private guest houses/boarding houses and yurts».

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In Kyrgyzstan in 2007 the hotel industry is represented by 119 hotels, the total hotel fund of which makes up 2352 rooms. In 2007 the number of accommodated persons was 164,8 thousand people. Single capacity makes up 8151 beds (see table 3.8).

Table 3.8. Basic indicators of hotel operations

	2003	2004	2005	2006	2007
Number of hotels, units	79	120	120	123	119
Number of accommodated persons, thousand persons	127,9	149,4	126,7	132,7	164,8
Number of all rooms, units	1925	2248	2244	2357	2352
Single capacity, beds	3409	4022	4472	7383	8151
Bed per day, thousand	247,3	254,9	221,8	257,4	266,2
Ratio of use of hotel fund (available rooms)[38]	0,2	0,17	0,14	0,1	0,1

Sources: National Statistical Committee of the Kyrgyz Republic

Recently the **food industry** in Kyrgyzstan develops at a rapid pace. This industry is presented by restaurants, cafe, bars, cafeterias and other catering on supply of ready food. Statistical data shows that the volume of services provided by restaurants, bars, cafeterias and other enterprises on delivery of ready food in 2003-2007 has been increased for more than twice and in 2007 it made up 4,1 billion soms (see table 3.9).

Table 3.9. Volume of services provided by restaurants, bars, cafeteria and other enterprises on supply of prepared food

Years	Million Soms	In percentages	
		To previous year	To 1997
2003	1469,9	125,4	100
2004	1787,1	117,6	117,6
2005	2189,0	116,3	136,8
2006	2814,5	119,4	163,3
2007	4102,0	128,6	в 2,1 р.

Sources: National Statistical Committee of the Kyrgyz Republic

Incut 3.4.

«The development of food industry of occurs at a very Kyrgyzstan rapid pace for the last years.

Observations conducted during survey and opinions of tourists allow speaking of existence of some problem situations:

- Low level of sanitary culture (especially in the process of transportation, storage, preparation of products) food so far,
- Application of out-of-date types of food-preparing equipment and dishes,
- Minimum limited standard of serving meat and fish dishes,
- Lack of general practices of preparation and serving desserts,
- Lack of general practices of serving fruit juices at breakfast,

Tourists find the solution of partial problems in additional food in café and restaurants located by tens near and inside boarding houses.

Kyrgyzstan's desire for European standards of reception, placement and service of tourists also obliges to raise on a qualitative new level the whole system of food in places of organized recreation, including its assortment, amount of portions, quality of dishes and certainly the level of service. Especially the level of service in the field of food is interpreted by tourists as one of the indicators of hospitality of country and it is quite good that it raises and approaches to European, especially in restaurants and cafes for the last years.

In responses of tourists of CIS and Far Abroad countries, responses like "excellent" and "good" are prevailing, it speaks of that the quality of service in restaurants is higher than average. However according to opinion of the most exacting tourists – Kazakh, we are to work seriously on service level.»

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Tourist transportations are one of the major elements of the tourist industry. Transportations of tourists in the Kyrgyz Republic are carried out by air, car and by railroad transport.

[38] **Ratio of used hotel fund** of available rooms is equal to overnight stays divided into production of one-time capacity and number of days a year.

The Kyrgyz Republic is located in the centre of Eurasia, on a joint of perspective aviation, transport and economic arteries between Europe and Asia, the North and the South. The main task in this area –is to make republic accessible to foreign tourists, having adjusted direct international air communications for what it is necessary to carry out a number of activities, including: to transform airport "Manas" into the largest transport aviation hub; to create conditions for functioning of competitive airlines on the market of air transportations both foreign and registered on territory of the Kyrgyz Republic; to enhance the safety of flights and quality of service of passengers.

According to information of NSC of the Kyrgyz Republic, in 2007 by means of any type of transport, it has been transported 5 041,7 thousand people (see table 3.10)

Table 3.10. Transportations of tourists by types of communications in 2003-2007, thousand people

	2003	2004	2005	2006	2007
Tourists transported – total	**2245,4**	**2893,6**	**4327,3**	**4710,1**	**5041,7**
By air transport					
Entrance international	47,0	59,6	68,0	56,0	91,3
Exit international	65,5	75,8	62,5	67,7	95,5
Domestic	105,1	122,5	112,3	108,3	92,3
By railroad transport					
Entrance international	70,6	86,2	89,8	129,4	151,9
Exit international	148,1	153,5	155,2	198,9	225,3
Domestic	11,0	10,8	10,2	9,8	15,6
By car transport					
Entrance	61,0	139,8	149,7	98,1	76,5
To far abroad	0,9	1,3	24,3	15,5	
To CIS countries	60,1	138,5	125,4	82,6	76,5
Domestic	1737,1	2245,4	3679,6	4041,9	4293,3

Sources: National Statistical Committee of the Kyrgyz Republic

As it is seen, the largest number of entrance tourists arrives to Kyrgyzstan by railroad transport – in 2007 such tourists made up more than 62% of all tourists entered.

Inside the country tourists move on car. Therefore the reconstruction of highways Bishkek-Osh, Bishkek-Naryn-Torugart, Bishkek-Balykchy-Karakol, Osh-Irkeshtam, and of motor roads leading to historical-architectural and historical sights of the country are of great importance for development of tourism in republic. The indicated directions of road lines entirely coincide with main threads of routes of Great Silk Way. Organization of tourists' travels by those highways may become the one of the main profitable types of tourism on the Great Silk Way.

Entertainment industry of Kyrgyzstan is represented by parks, theaters, circus, museums and other entertainment establishments. Here are also included visits of natural reserves and parks. In that respect Kyrgyzstan's peculiarity can be 8 natural national parks, 6 natural reserves and 69 preserves and monuments of nature.

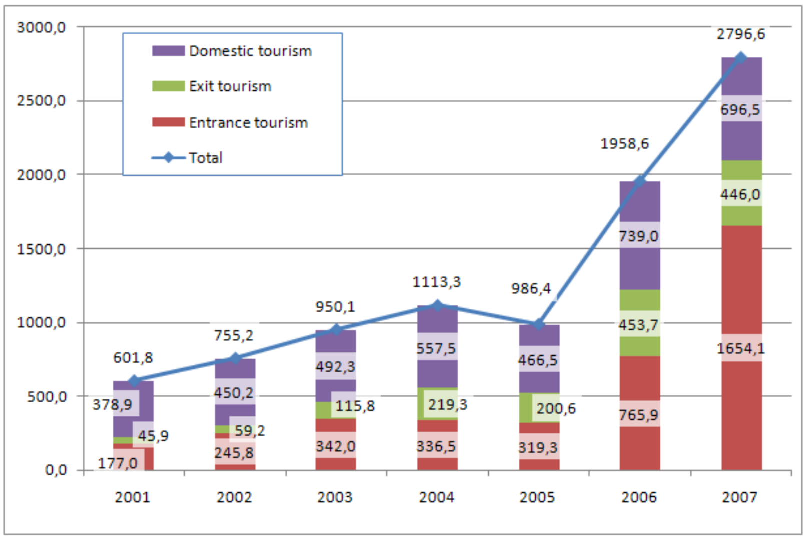
For the beginning of 2008, there were functioning 17 theaters, 59 museums.

Professional theaters in the republic have the state ownership form. Mostly developed are their networks in Bishkek (8) and Osh and Osh region (4). In 2007 theater groups have shown 1252 plays and performances.

Consumers of Tourism Services

As it was already mentioned earlier, tourism in Kyrgyzstan becomes quite popular type of recreation. For 6 years, the total number of tourists has grown in 4,7 times (see drawing 3.3), at that the growth mainly has been ensured by foreign tourists who visited Kyrgyzstan. Almost 10 times more the number of Kyrgyz people has increased who left for abroad for tourist purposes. It was conditioned by emergence and growth of the number of independent citizens. Domestic tourism has also been developed though without accelerated tempo – increase for 6 years made up in total 80%.

Drawing 3.3. Number of tourists in Kyrgyzstan, thousand people



Sources: National Statistical Committee of the Kyrgyz Republic

The main consumers of tourist services are citizens of Kyrgyzstan – they are 77,7% of all visitors in 2007 (see table 3.11). At the same time, the lowest demand among Kyrgyz has been given to services of recreation centers (10%), sports and health camps (12,9%), other tourism enterprises (27,8%) and sanatoriums (47,7%). Specific for Kyrgyz were children's sanatoriums and sanatorium-preventoriums (100% - mainly, in Issyk-Kul lake), natural parks and reserves (98,4% - mainly in Chui region), recreation health centers (94,9% - Issyk-Kul lake) and travel agencies and tour operators (92,6% - basically Talas region). 71,2% of hotel services were used by Kyrgyz (mainly in both capital and Djalal-Abad region).

Table 3.11. Number of tourists by residence and services category in 2007, % in category

	Countries except CIS	CIS countries	Kyrgyzstan
Total	**6,4**	**15,9**	**77,7**
Hotels	16,4	12,4	71,2
Specialized accommodation facilities	2,1	29,1	68,7
Tourist centers	0,0	13,6	86,4
Sanatoriums	5,8	23,3	70,9
Children's sanatoriums	0,0	0,0	100,0
Sanatorium-preventoriums	0,0	0,0	100,0
Holiday centers	0,3	52,1	47,7
Recreation sanatoriums	1,4	33,3	65,3
Health sanatoriums	0,0	5,1	94,9
Recreation centers	0,1	89,9	10,0
Sports and health centers	0,0	87,1	12,9
Children's health centers	0,0	11,6	88,4

Travel agencies and tour operators, travel bureaus and excursions	3,2	4,3	92,6
Natural parks and reserves	0,4	1,1	98,4
Other tourism enterprises	58,1	14,1	27,8

Sources: National Statistical Committee of the Kyrgyz Republic

Incut 3.5.

«***Kazakh tourists*** mostly (66,3%) think that the price for rendered services complies with quality, let's remember that in 2004 such was less than half - 42,4%. In its turn, 19,9% thinks that price is overstated (in 2004 it was 43.9%) – it means that they are satisfied with quality received. The data testifies that tourists from Kazakhstan most of all accepted price increase, as they found it as justified.

Tourists from Russia more strictly estimates the quality of received services in comparison with expenditures. As tourists spend more money, they estimate services quality as stricter. But in general, tourists are mostly satisfied with services.

Uzbek tourists are more patient with services in Kyrgyzstan. The main part of tourists remained quite pleased and satisfied with quality of services and price.

According to opinion of ***tourists from far abroad*** the quality of services increased in terms of the most expensive and cheapest recreation. The large half of tourists with expenses of 100-200 dollars and two thirds with expenses more than 700 dollars highly estimated the quality of services.

Domestic tourists estimate mainly as good in budget sector and as inconsistent with price – in expensive one»

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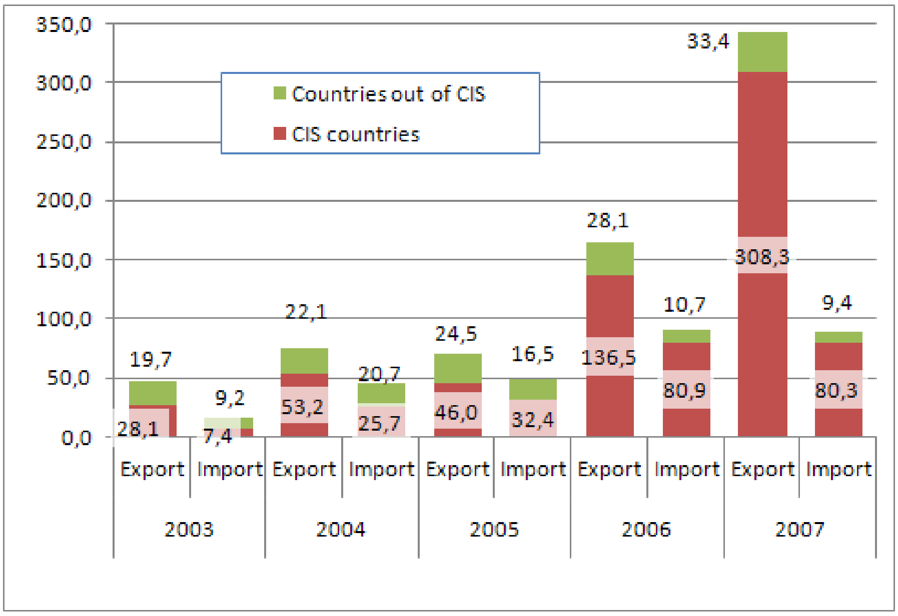
As a result, during the whole period of existence of tourism, a positive foreign trade balance of tourism services has been developed for Kyrgyzstan (see drawing 3.4).

Drawing 3.4. Import and export of tourism in 2003-2007, million US dollars



Sources: National Statistical Committee of the Kyrgyz Republic

<u>Other sector-related economic sectors</u>

Tourism sector is a special sector. At-first, tourism itself consists of some sectors which may be considered individually. Secondly, tourism depends on and influences other sectors.

First of all, it is ***transcport sector – land and air***[39]. Water transport exists in the republic but it is low developed. Any type of transport, except railroad, mainly is in private hands and everything is developed in accordance with market laws. Therefore the state of air and motor carriers completely and directly depends on demand for their services and can not the subject of direct regulation.

The most important issue for making efforts for tourism development in the country should be development of transport infrastructure, roads, airports, air traffic arrangement systems.

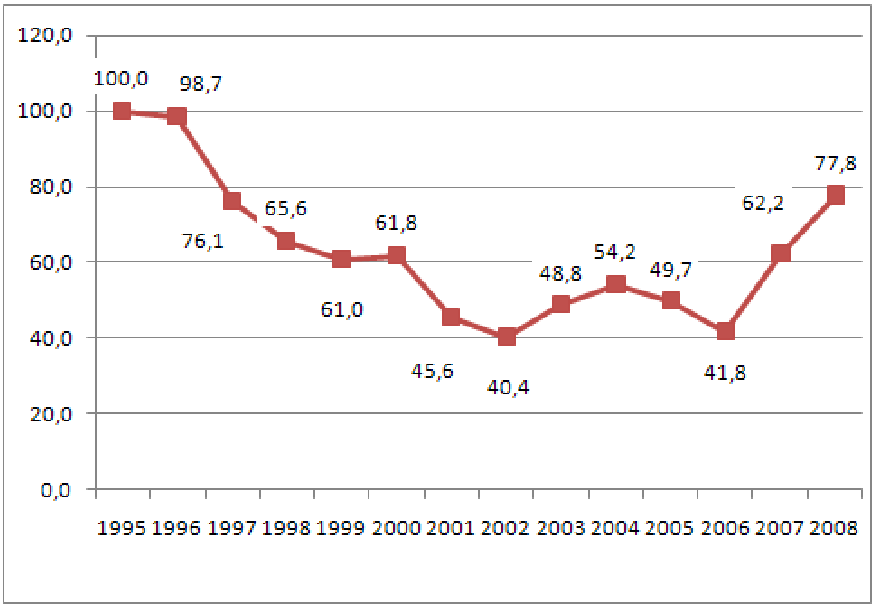
Today the condition of basic part of roads does not meet requirements. Among the investigated in 2005 4,3 thousand roads in republic – two thirds was in unsatisfactory condition. One fifth of roads was so destroyed that reconstruction of asphalt coat is not possible and important condition of developing tourism is rehabilitation and construction of roads.

For country development, it is necessary to develop *railroad transport*. At present, the network of railroads of the Kyrgyz Republic is represented by non-connected dead-end lines with various lengths. To enhance transport capacity, great importance is given to project on construction of railroad China-Kyrgyzstan-Uzbekistan. In addition to providing international transport corridor, implementation of railroad project through Torugart with outlet to cities like Balykchy, Kara-Suu and Andijan allows connecting north and south regions of country by railroad.

Another important part of transport system of republic is *civil aviation*. In order to ensure development of this type of transport, it is necessary to increase throughput capacity of airports, first of all, "Manas" International Airport, having put it at the highest international level, and prove advantages of using the country as a transit passenger and cargo node. In addition, it is necessary to ensure safety of flights over the country, having modernized the system of arrangement of air traffic in the country.

Comfort of people who desired to visit Kyrgyzstan depends on transport sector. However the availability of appropriate airlines does not guarantee tourists' inflow. Witness of that is the statistics of international aviation passenger turnover (see drawing 3.5).

Drawing 3.5. Kyrgyzstan's aviation passenger turnover in 1995-2008, %, 1995=100



Sources: National Statistical Committee of the Kyrgyz Republic

[39] Here transport is considered in general, since transport serves not only tourists.

Despite the fact that in Kyrgyzstan there are operating such air companies as «Turkish Airlines», «British Airlines» and others, passenger turnover for the last 12 years did not show a growth trend. The reason is that during those years there was no demand for country and unless Kyrgyzstan will be of no interest as tourism country, the number of visits of our country will be small. As soon as international tourists will show their demand for tourist services of Kyrgyzstan, the development of international passenger turnover starts, the number of international flights and air companies who are interested in transportation of people to/from Kyrgyzstan will grow.

Banking sector is essential for tourism since it facilitates life of tourists in Kyrgyzstan. The strategy of development of banking sector in Kyrgyzstan provides for any measure on enhancing of sustainability of banks with simultaneous facilitation of access of population to sector's services. One of the important measures for tourism is to develop new and comfortable mechanisms of making payments through accounts in commercial banks for foreign citizens and enterprises. The development of infrastructure on reception and service of payments using banking innovative services and technologies, and payment cards across the whole territory of country was specified.

Communications Sector is also quite important for person who got used for the highest level of communications. In Kyrgyzstan, telecommunications infrastructure is developed unevenly. In total, there are 1872 rural points in the republic, from which as on 1 January 2008, 447 remained uninstalled with telephones. It is officially stated that the priority of development of communications would be a complete installation of telephones and hundred percent provision of access to Internet for all communities of the country.

Workmanship is important for tourism development. Workmanship sector in Kyrgyzstan comprises mainly of small and micro-sized enterprises. There are five basic market segments in workmanship sector: gifts (40%), boutiques and galleries (38%), tourist (22%) and catalogue (2%). Workmanship has the highest potential for further growth and generation of employment for local population. But at this stage, local craftsmen need support and provision of resources.

One of the basic sectors of Kyrgyzstan's economy which establishes necessary preconditions for sustainable growth of economy at all, and tourism in particular, is ***construction***. The main priority directions in construction are subjects of residential construction, transport and communications, energy, infrastructure and processing industry. One of the main tasks of construction development is to develop capacities Oof infrastructural engineering source to ensure maintenance and operation in accordance with established standards, existing consumers and newly operated subjects; provision of reliability of buildings and structures at the expense of using modern earthquakeproof constructions and protection systems.

3.3. Provisions, institutions and policy measures influencing sectoral activity

General questions

The normative legal base regulating tourist activity in Kyrgyzstan numbers about more than hundred different documents. They, generally, reflect the state's intention to carry out state policy directed at regulation of relations connected with tourist activity and tourism.

As it was said above already, tourism sector is subject to regulation related to small and medium-sized entrepreneurship. Accordingly, the regulation of tourism sector does not differ from general regulation of SME virtually, where it has its own problems:

- Instability and imperfectness of legislative base;
- Strict tax pressing and complicated system of taxation;
- Difficulties in getting bank credits;

- Numerous administrative and other barriers;
- Complex permit system.

The low level of transparency and government decision-making in licensing sphere influencing the rights and economic interests of entrepreneurs on the one hand, and complexity of procedures of getting permits and licenses on the other hand complicates carrying out of economic activity and increase costs, especially during crisis.

The Government[40] has introduced moratorium for adoption of normative legal acts in licensing sphere by authorities of executive power and local government bodies before completion of third stage of revision of normative legal acts.

The most complaints of businessmen are related to inspections of government controlling bodies that cause necessity of development and introduction of a complex of actions aimed at toughening of requirements for controlling authorities. In that connection, to eliminate red-tape system of inspections of entrepreneurship, it is expected that the number of inspections will be decreased by streamlining them with introduction of system of risk assessment and reduction of terms of inspections. It is also expected that the number of authorized bodies entitled to conduct inspections of enterprises will be reduced by 70 %.

In the area of legislation there are contradictions in normative-legislative base regulating the enterprise and investment activities. To overcome contradiction, it is necessary to develop the Law «On public-private partnership», to change the Law «On the state registration of legal entities, branches and representations», for the further simplification of procedures of registration. It is necessary to reconsider laws on concessions, public procurement, pay roads, energy for the purposes of introduction new methods of public-private partnership and financing mechanisms, the Law «On licensing».

The efficiency of public administration is not enough high. So, the main body - the State agency on tourism under Government of the Kyrgyz Republic is responsible for the implementation of a state policy in the field of tourism, for provision of training and professional training, for service quality improvement, construction of new objects of tourism infrastructure, increase in inflow of tourists, attraction of investments, visa regime, etc. However, it does not has real regulatory levers and opportunities to carry out administration of activity of the tourist organizations and subjects of tourist industry due to lack of sectoral vertical management in regions, and opportunity to co-ordinate the activities of ministries and agencies, directly or indirectly connected with process of attraction, reception and service of tourists (Ministry of Foreign Affairs, Ministry of Internal Affairs, Frontier service, customs services and tax bodies, aviation authorities, etc.).

The law on tourism, as it stands, practically did not work from the moment of its enactment, and for today many of its articles have simply become outdated. The ecological, sanitary legislations and land use legislation are weak in the republic. The ecological and sanitary standards in construction and operation of tourist subjects do not work absolutely.

Some important issues of sector regulation will be analyzed further.

Private participation

The state has a small number of tourist subjects. They are natural reserves and natural parks, and some objects (sanatoriums and health-treatment institutions), which are on balance of government agencies. At the same time, all activities directed at the development of tourism in country are applied to any economic entity of tourism sector on equal basis.

In subsectors of tourism, there is no special licensing of private sector provided for –neither domestic not foreign. Registration of foreign citizens and legal entities as economic entities is

[40] Decree of Government of the Kyrgyz Republic as of 11 September 2008, N 509

regulated by the Law of the Kyrgyz Republic «On Foreign Investment» (this law is described in section I).

Important regulatory institutes and regulations of the sector

The regulation of the sector of tourist services is carried out on the basis of laws and by agencies common to the whole economy in general and, particularly, tourism. The functions of issuance of licenses and price formation rules (those rules are developed for specific goods and services having social significance). At the same time the rights and obligations of foreign suppliers virtually are not different from the rights and responsibilities of domestic economic entities.

In case if foreign legal entities experience damage from unfavorable decisions, applied by inspecting agencies, they have the right to apply to a court for resolving the problem. During consideration of judicial cases, the legislation of the Kyrgyz Republic and relevant international agreements and other normative legal acts are fundamental.

Measures related to technical standards and safety standards

In Kyrgyzstan, there is no operational ecological technical regulation. Currently a draft «General Technical Regulation on Provision of Ecological Safety in the Kyrgyz Republic» is under consideration and approval of the Parliament. Sanitary norms and standards of safety are regulated by the specialized government agencies (Sanitary-epidemiological stations, structures of the Ministry of Emergency, etc). Domestic and foreign suppliers of services follow the same requirements with regard to standards.

It should be noted that not all technical specifications existing in Kyrgyzstan far from based on the appropriate international standards. However, now the government agencies work on bringing specifications in compliance with international ones.

Information regarding the issues of standards in the sector may be available if enterprise is registered in special authorities. Information centers exist under the State Agency on Standards and MEDT where you can obtain required information on standards and certification system. However the system of information centers is not developed quite well in regions.

Conformity assessment procedures, testing and certification do not discriminate the participants of services market, but entrepreneurs make complaints against transparency of existing procedures.

Measures related to licensing

The procedure regarding the licensing of tourist activity is established by the Law of the Kyrgyz Republic «On Licensing»: from any type of tourist services, only services of passenger and cargo transportation is subject to licensing (licensor is the Ministry of Transport and Communications), and the activity on hunting and fowling shall be licensed by (licensor is the State Agency on Environmental Protection and Forestry under Government of the Kyrgyz Republic).

Issuance of licenses to recipients (licensees) is carried out by ministries, agencies and other authorities (licensors), which are in charge of that type of licensing activity determined by legislative acts and Government of the Kyrgyz Republic. Transport services are licensed too.

In case when except license for carrying out any type of activity or making certain actions it is required to obtain another permit (allotment of land, frequency allotment, other), such permits rare issued after getting license, i.e. when it is required that the enterprise carrying out a licensing activity is registered in local administrations, what actions should be taken for that.

There are no any special licensing-related restrictions existing for corporations.

Foreign legal or physical entities and stateless persons receive licenses on the same conditions and terms as well as legal and physical entities of the Kyrgyz Republic. So formally there is effective competition in the sector between foreign and domestic companies.

Licenses obtained in other states, on the territory of the Kyrgyz Republic are recognized on the condition of concluding the appropriate intergovernmental agreements or in cases established by the Law of the Kyrgyz Republic "On the National Ban k of the Kyrgyz Republic".

A license may be unlimited or has a certain period (not less than 2 years) and can be assigned.

A license for carrying out licensing activity shall be issued to entity corresponding to the requirements established for that type of activity.

To receive license, the following documents are required:

1) application of established model;
2) documents confirming compliance of licensee to requirements on that type of activity;
3) documents confirming payment for consideration of application and issue of license;
4) copy of certificate on state registration.

Some legislative acts can include additional and special requirements for list of documents for individual types of licensing activities. A licensee's requirement of documents from applicant which are not stipulated by the regulation on licensing of relevant type of activities is prohibited.

All documents submitted for obtaining a license shall be registered by authority authorized to carry out licensing activity.

Licenses shall be issued not later than one month since application submitted with all required documents.

Licenses shall be issued on payment basis:

A license shall be terminated only in cases below:

1) expiration of term for which license is issued;
2) carry out actions in full for which license is issued;
3) withdrawal of license;
4) termination of activity of physical or legal entity to which license is issued.

In case of re-registration of legal entity, a license shall be valid until the end of term.

The disputes connected with termination of license, shall be settled in courts.

Licensing of tourism entities was terminated in 2001, and the only functions fulfilled now, will be coordination and monitoring by controlling government agencies.

For instance, there are tourist areas, such as area around of Issyk-Kul Lake, where there is the differentiated payment for entrance which introduced for environmental protection purpose and is applied to local cars and those which have been registered abroad. The amount of payment is 100 soms for local trucks and buses, 50 soms for local cars. Foreign cars shall pay 500 soms.

Measures regulating movement of individuals

Foreign citizens can be hired as employees by foreign investors and can be members of governing bodies of legal entity with foreign shares[41]. However it should be noted that Kyrgyzstan has formally adopted the policy of ensuring priority right of the citizens of Kyrgyz Republic for vacant positions.

The Kyrgyz Republic through the authorized state bodies assists in entry and presence of foreign citizens associated with foreign investment activities for the period of their work in the Kyrgyz Republic according to the legislation of the Kyrgyz Republic. Employment relations between foreign investors and their employees, who are not citizens of the Kyrgyz Republic, are regulated by legislation selected in their employment agreements. These employment agreements cannot set the standards below the mandatory requirements established by the Labor Code of the Kyrgyz Republic. In absence of such employment agreements, foreign citizens employed by the companies located on the territory of the Kyrgyz Republic are subject to labor legislation and other legal acts of the Kyrgyz Republic.

There are no specific requirement for providers of tourism services (in terms of education, qualifications, licensing), and the recognition of equivalent professional qualifications acquired abroad depends on the company's management.

Conditions and order for performing labor activity in Kyrgyzstan by foreign citizens and individuals without citizenship shall be determined by the *"Resolution on order of labor activity by foreign citizens and individuals without citizenship in KR"*[42].

In accordance with this regulation foreign citizens and individuals without citizenship, arriving to the Kyrgyz Republic for employment, are registered in the State Committee of the Kyrgyz Republic on Migration and Employment (State Committee). Granting permissions for attracting foreign labor and work permissions is made within the limits of quota for attracting foreign labor force in republic established annually by the Government.

By permission for attracting foreign labor the quota is established for attracting and using specific number of foreign employees on the whole and by professional groups, employed by employer for working on the territory of the Kyrgyz Republic. This quota is canceled in case of non-using within three months.

To receiving permission to hire foreign labor the employer submits application to the State Committee on granting permission for attracting of foreign labor. The list of the documents attached to the application and the form of permission are set by the State Committee.

In some cases confirmations of state bodies of the Kyrgyz Republic can be requested for appropriateness of attracting these specialists.

Permission on attracting foreign labor cannot be transferred to other employers. Employed on the basis of permission for attracting foreign labor, foreign workers cannot be transferred to work for another employer. If a foreign citizen is employed by more than one business entity, he must obtain permits from the State Committee.

Foreign private entrepreneurs having work permission have the right to work in the location specified in submitted application. If the foreign individual entrepreneur wants to work in location not specified in application he must obtain additional permissive documents.

Work permission for foreign manager and foreign specialist is granted for one year with the right of annual extension. Total validity period of work permission for foreign qualified specialists should not exceed two years and for individual entrepreneurs – three years.

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[41] Law "On investment in the Kyrgyz Republic" of the 27th of March, 2003, #66

[42] Approved by the Government Resolution of the 8th of September, 2006, #639

Work permission is granted to foreign citizens at the age of 18 and older.

Granting of permission and extension of validity period of permission for attracting foreign labor and work permission is made on the payment basis. To grant permission for attraction of foreign labor the payment is collected from employers and to grant work permission the payment is collected from foreign employee or individual entrepreneur in the amount established by the Government of the Kyrgyz Republic.

There is another limitation in the legislation of the Kyrgyz Republic: it is stipulated that foreign citizens cannot be the owners of *tourism facilities* and must lease these objects for the period not exceeding 49 years. Prospective term is subject to approval by the Parliament. Moreover, at least 90% of staff should be citizens of the Kyrgyz Republic.

Moreover, in the draft new law “on tourism” it is proposed that investment manager must be a citizen of kr and number of foreign citizens in the company management must be cut down to 1/3. However, this law is still in the process of discussion. In addition, the draft law proposes to restrict foreign investment for development of tourism objects to 49%. At present, there are no limitations.

Policies and regulatory measures concerned with competition applied in sector, including regulation related to trade in terms of foreign ownership and participation in sector.

Horizontal measures

According to the Law “On investment in the Kyrgyz Republic”[43], foreign investors are provided with national economic activity regime, applied in relation to legal entities and individuals of the Kyrgyz Republic, except for limitations that may be imposed in industries related to defense, national security, public health ant pubic morality.

In some cases, if investments are made in priority economic industries, social sphere or in particular territories according to the state programs, foreign investor can be provided with investment benefits.

The state declares its support to tourism. Such support is provided through implementation of marketing activities in the republic and in the world, creation of conditions for tourism development, including institutional conditions. The state cannot provide direct support to entrepreneurs.

Measures related to competition

Formally there are no differences in approaches to domestic and foreign tourism service providers. According to the Law “On foreign investments” the Kyrgyz Republic provides fair, equitable legal regime, full and constant protection and guarantees to foreign investors, investing on the territory of Kyrgyz Republic. The state abstains from intervention in economic activity, rights and legally acknowledged interests of foreign investors. The Kyrgyz Republic Government officials not observing the provisions of this article bear responsibility according to the legislation of the Kyrgyz Republic. Thus, foreign citizens can easily provide tourism services and that is what some operators do.

It can be noted that there is government participation in sector: such tourism facilities as nature parks and reserves are state owned. Moreover there are recreational objects – holiday centers, health centers, camps that are owned by the state departments of the republic.

There are no sectoral eliminations regarding legislation on competition in importing country affecting the conditions of competition of the tourist services market.

Licenses in the tourism sector do not provide exclusive rights.

[43] Of the 27th of March, 2003, #66

In Kyrgyzstan there is existing Law "On restriction of monopolistic activity, development and protection of competition"[44]. The Law determines organizational and legal basis for development of competition, prevention, restriction and suppression measures for monopolistic activity and unfair competition and is aimed to provision of conditions for creation and effective functioning of republican commodity market.

Audit legislation

As in any other sphere, foreign investments and tourism are subject to examination during registration in the Ministry of Justice. The Law "On investments in the Kyrgyz Republic"[45] says: "State registration, re-registration and liquidation of legal entities with foreign participation and their branches and representative offices is made according to the Civil Code of the Kyrgyz Republic and the Law "On state registration of legal entities of the Kyrgyz Republic"[46]. There is no special body in the country, which audits investments.

Foreign investor additionally submits the following documents:

- Foreign legal entity acting as founder – legalized extract from the register, certifying that the founder is an acting legal entity according to the legislation of his country with notarized translation into state or official language. Legalization of abovementioned documents is not required for legal entities of the CIS member-states;
- Foreign individuals acting as founder – copy of passport or other document (with specification of visa terms), establishing individual's identity with legally certified translation into state or official language[47]».

The main criteria applied during assessment of applications for approval – the legitimacy of assumed activity. Availability and compliance with established requirements of documents submitted for registration of enterprise.

Investors have the right for court examination of all issues, concerned with their activities on the territory of the country, including in case of contradictions with state organs. Moreover, investor has the right to use any other way of dispute resolution, provided in national legislation of Kyrgyzstan and in international practice.

Legal requirements and requirements regarding joint enterprise

Tourist firm organized on the territory of Kyrgyzstan can have any acceptable and optimal form for this type of activity. The level of involvement of local participants does not determine the activity of foreign firm in Kyrgyzstan. However it is important to remember that the number of foreign citizens that can work in this firm must correspond to the quota.

The enterprise can be fully foreign or joint, with any share of foreign or local capital. There are no special requirements on the structure of board of directors.

Kyrgyzstan obligations in WTO in the energy services sector

According to expert assessment GATS is very important but nevertheless initial link in creation of multilateral intergovernmental regulations of government activity in the sphere of international services trade. Therefore the Kyrgyz Republic supporting Development Agenda, adopted in Doha participates in negotiations in the sphere of services.

Kyrgyz Republic supports the principles of service market liberalization, including in tourist service sector, due to which various companies providing tourist services can work on the

[44] Of the 15th of April, 1994, #1487-XII
[45] Of the 27th of March, 2003, #66
[46] Of the 12th of July, 1996, #39
[47] Kyrgyz and Russian languages

country market. As stated above in the republic there is a tendency of tourist service sector development, which contributes to the development of competition in this sector. With the aim of maximum liberalization in 2001 the licensing of tourism object was cancelled and the only functions executed by the state in this sphere are coordination and monitoring.

As noted above, foreign investors investing on the territory of the Kyrgyz Republic are provided with national regime of economic activity. There are no restrictions for foreign investments in this sector, which resulted in tourism growth (see table 3.6) Investors have the right to freely employ people, that are not citizens of the Kyrgyz Republic as well as employees that are not the Kyrgyz Republic citizens can be hired for managerial positions in the company.

According to the list of specific obligations of Kyrgyzstan on service trade from 99 sectors and almost 600 sub sectors, developed in accordance to UN CPC Kyrgyzstan accepted obligations during entry process by 545 sub sectors and types of activity. This is quantitative part of the list. The qualitative part is more noticeable in conditions of openness of horizontal and specific obligations that do not have limitations both on access to market and on national regime virtually in all sectors and delivery options (except for small number of strategic sectors and forth delivery option). No obligations have been taken regarding national regime, which differ from acting regime in Kyrgyzstan.

As is well known GATS provides for two groups of obligations: common (horizontal), covering all types of services and specific regarding particular industries producing and providing services. The list of obligations of the Kyrgyz Republic according to adopted classification sets obligations on tourist services and travel sector (table) including the following types of activity:

1. Hotel and restaurants, including catering (CPC 641-643);
2. Tourism agencies and tour operators (CPC 7471);
3. Guide services (CPC 7472)
4. Miscellaneous

Based on the fact that in program documents of economy development the tourism industry in the Kyrgyz Republic is considered as one of the priority economy industries as sector stimulating the development of related industries, raising the flow of investments to the national economy and securing stable employment and population income growth, particularly rural population and population in remote mountain regions, the Kyrgyz Republic during entry to WTO assumed the biggest obligations level on tourism services sector.

There are no limitations for both access to market and national regime on the first, second and third types of delivery applied to all above-mentioned activities in service sector of tourism and travels. As for the fourth type of delivery the country did not accept responsibility except for measures related to temporary entrance and presence of foreign citizens delivering services as salesmen, workers transferred within companies, managers, supervisors, and measures affecting presence of individuals (foreign citizens are required to obtain entrance visa unless the country has visa free entrance agreement with Kyrgyzstan).

Therefore, liabilities of the Kyrgyz Republic in the sector of tourism and travels do not limit the number of service providers both in the form of quotas, monopolies, exclusive providers and in the form of need confirmation requirement, measures requiring special status of legal entity of joint company, foreign capital contribution in the form of limit for maximum share of foreign contribution. Also there are no limitations on total number of operations with services or total volume of services delivery and total number of individuals, which are required and have direct relation to delivery of a certain service, in the form of quotas (managers, supervisors and specialists) or requirement for economic need confirmation. However, local legislation provides that decisions on permission for attraction of foreign labor are based on the principles of priority rights of the citizens of the Kyrgyz Republic to fill in vacant positions and are made in case of absence of equivalent labor in the Kyrgyz Republic.[48] This means that when this regulation is enforced the principle of providing national regime while attracting foreign specialists in the economy sector is violated.

According to legislation foreign specialists, who are offered a job on the territory of Kyrgyzstan, receive permission for up to one year. When such permission expires Committee can decide to extend duration. Legislation and Kyrgyzstan obligations in WTO the presence is limited to three years. Yet, according to horizontal obligations of the Kyrgyz Republic in WTO their presence can be extended by two years with the total duration not exceeding five years. This indicates necessity to revise internal legislation in order to put it in compliance with obligations in WTO.

Foreign investors, their representatives and foreign workers present in the Kyrgyz Republic in relation to investment activity are authorized for independent travel within the Kyrgyz Republic, excluding the territories with conditions and order of presence limited by corresponding legislation of the Kyrgyz Republic. In addition, there are areas (for example Issyk-Kul Lake) with differentiated entrance fees, which have been introduced in objective of environment protection and are applied to local vehicles and vehicles registered abroad. Fees paid for foreign vehicles are higher, which means that in this case Kyrgyzstan does not follow the national regime on access of foreign customers to the market. It should be noted though that majority of entering vehicles come from Kazakhstan, which is not yet WTO member.

Also there is limitation on ownership of tourist facilities by foreign citizens; they cannot be and are only able to lease facilities for not more than 49 years. In addition, the following limitations can be introduced in near future[49]: foreign investment in development of tourist facilities cannot exceed 49%; investment manager should be a citizen of the Kyrgyz Republic; number of foreign citizens in the management of the company should not exceed 1/3; at least 90% of staff of tourist facilities should be citizens of the Kyrgyz Republic.

It is known that in Doha round negotiations on services relate to liberalization of the fourth type of delivery as well as further liberalization of tourist services. Realizing importance of these issues the Kyrgyz Republic asks to recognize it as a new WTO member, which upon joining accepted wide obligations on access to market, and particularly to the tourist market, hoping to obtain equal access to markets of other WTO members.

At the Ministerial Conference in Hong Kong in December 2005 the Kyrgyz Republic demanded equivalent regime, which is provided to the least developed countries in relation to acceptance of new obligations, as the country with low level of income comparable with the least developed counties. Therefore, the country wants to get advantages from specific provisions included in negotiations on market access.[50]

Also, it should be considered that Kyrgyzstan as the country with small transitioning economy already has obligations with high level of liberalization differing from those of the countries who have been WTO members since its inception. Therefore, Kyrgyzstan is not able to liberalize access to its service market more than accepted obligations, which it has been fulfilling since WTO membership.

As it was mentioned in Chapter II, the letter with position of Kyrgyzstan on services was sent to WTO General Director (#03-1-1/2551 of the 1st of June, 2005).

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48 Government resolution of September 8, 2006, #639 “Resolution on order of labor activity by foreign citizens and individuals without citizenship in KR”

49 Draft law “On tourism”, which is currently being discussed.

50 Document WTO WT/MIN(05)/ST/155, December 17, 2005.

3.4. the SWOT analysis of tourist services sector

The SWOT analysis shows that Kyrgyzstan geographically, historically and politically has strong competitive advantages. However, legislation imperfection and other difficulties conditioned by the economic situation in the republic notably makes Kyrgyzstan's position worse at the international tourist market and creates sufficiently perceptible threats for tourism development in the country. Moreover, in a long period up to 2006 there was no a real activity in Kyrgyzstan on attraction of tourists. As a result, many lovers of travelling don't know about Kyrgyzstan's tourist opportunities worldwide.

Nevertheless the potential available to Kyrgyzstan allows relying on that it will eliminate weaknesses and overcome existing threats – internal and external.

Strengths	**Weaknesses**
- Reach, lively and original culture and traditions, history, preserved ecology; - Part of Great Silk Way on the territory of Kyrgyzstan; - The country is reach with attractive natural resources, including reserves, which are ideal for ecological tourism; - Issyk-Kul lake – unique health resort area of the global scale; - The country has great potential for development of adventure and extreme tourism (climbing, mountain skiing, rafting, paragliding etc.); - The country is located in the middle of Eurasia, at the turn of promising air, transport and economic connections between Europe and Asia, North and South. Therefore, the country could become one of the world's transport (passenger and freight) centers; - The republic is one of the most politically stable countries in Central Asia; - Country authorities realize importance of tourism for the country development and conduct consistent policy of industry development.	- Non-harmonized inter-sector legislation; - Insufficient budget financing of state policy activities in the area of tourism; - Majority of tourism assets and infrastructure facilities are in poor conditions; - Quality of services provided in these facilities does not meet international standard requirements of quality, safety and environment safety; - Limited aviation access to many areas; - High transport costs in the price of tourist package for international tourists, poor condition of roads; - Tourism mainly has seasonal nature; especially resorts in Issyk-Kul lake, where tourist season is about 60-70 days; - Insufficient safety level when organizing tourist activities; - Incomplete and unreliable tracking of incoming foreign tourists; - Complicated process of obtaining tourist visa for foreigners due to insufficient number of visa issuing locations in foreign countries; - Permanent threat of environment pollution in mass tourism zones; - Lack of unified information space; - Unskillful tourist workers.
Opportunities	**Threats**
- Educational potential in the republic is high, so training of proper specialists is feasible and just needs time;	- *Macroeconomic threats.* Possibility of deterioration of internal and external economic conditions, decrease of economy growth rate, decrease of investment activity level, high inflation;

- Active marketing performed by the state and private companies may generate good results for increase of tourist inflow to the republic; - Geographic location, nature conditions and landscapes of the country call for development of practically all types of tourism (from banking and business tourism to cognitive and extreme tourism); - Mountains, ecologically clean places and extremely clean healthy air are valuable tourist resources of Kyrgyzstan; - Kyrgyzstan natural resources make it possible to organize highly effective treatment courses comparable with similar world's courses (mineral and thermal water, curative mud, national drink kumys etc.); - Organization of passenger hub and cargo terminal in Manas airport will significantly increase tourist inflow; - It is a trend of last years that international tourists have started to prefer long travels searching for new countries; - Lack of man-caused impact on ecology and wide biological diversity of flora and fauna; - Active private sector is a guarantee for tourism development. - According to the GATS accepted commitments, tourism sector is open.	- *Financial threats.* Insufficient level of budget financing. Possible failure to fulfill budget obligations will jeopardize fulfillment of tasks; - *Man-caused and ecological threats*. Changes in nature and climate conditions. Any big natural, man-caused or ecological disaster will lead to decreased attractiveness of the country as the place of tourism. Global climate changes will also significantly impact the dynamics of tourist inflows, which brings specifically relevant risks for main tourist areas; - *Geopolitical threats*. Political situation in the country and neighboring countries has great impact on development of internal and incoming tourism. Political instability, military conflicts and terrorist attacks can lead to decreased tourist inflow and strengthen Kyrgyzstan image as the country, which is undesirable to go to; - *Legislative threats*. Failure to execute programs and regulations in the area of tourism will negatively influence industry growth rate. In addition, there is great risk that the ministries and agencies will refuse to change relevant legislation, which is not dependent on authorized tourism body; - *External threats.* Successful performance of tourist industry depends on situation in international markets, currency exchange rates, level of mutual integration of states, which is very important for regions of tourism in border area.

CHAPTER 4. CONCLUSIONS, RECOMMENDATIONS AND ACTION PLAN

4.1. Power industry

The country has significant reserves of coal and hydro power resources, although their production is not large. Therefore the structure of fuel and energy balance of the republic shows that the import makes up more than half consisting of oil products, gas and coal. One of the priorities of fuel and energy complex of the Kyrgyz Republic is the production and distribution of electric power, having a significant impact on country's economy. Potential of production of electric power has been accumulated in last century. Shortage of electric power was emerged in recent years.

Current energy sector's problems include:

- The existing tariffs for electricity don't ensure the coverage of the produced costs for its generation. Consequently, they don't serve as the market signals for all the market participants: they don't motivate either producers to implement the investments or consumers to save the energy. As a result of it the energy sector functions not under the influence of clear market mechanisms.
- The owner's (the Government) poor management of the energy companies combined with lack of motivation of the energy companies' staff to work efficiently don't create favorable conditions for the rational market behavior of the energy companies as the market subjects. In such a way it not only inhibits the development but also leads to the destruction.
- The current regulatory body is unable to implement entrepreneurial politics on regulating the energy sector on the basis of market development. In such a way it inhibits developing the contract law in the energy sector.

Eventually all of these problems have led to:

- Very low level of efficiency in the use of equipment and unproductive losses almost in all the sectors of the electricity production, transmission and distribution.
- High level of worn-out production capacity where it's difficult enough to provide further stability and reliability of the energy supply systems function.
- Acute shortage of the investment resources, lack of strong process stock in construction of new energy objects in technical re-equipment of the current energy objects.

Reforms development in the energy sector will promote to overcoming the problems in the sector.

It's necessary to reform institutions and tariff policy and improve the investment attractiveness of the energy sector within the framework of the following steps:

- improving the apparatus of public administration and management of the energy companies;
- improvement of the energy sector's work by means of creating independent regulatory body which endowed with great power. At the same time he must be completely open to the state bodies and the public in its intentions and actions;
- management of the energy companies must be highly-motivated to productive and efficient work by means of offering competitive salary and attractive social package;
- creation of the competitive mechanism where possible;

- separation of the marketing function from the function of supplying consumers with electricity will form space which must be competitive. It'll favor the improvement of the consumer service and protection of their rights. Altogether improving the regulation of the energy sector's work as a scope of monopoly will further the growth of efficiency of the energy companies' work;
- establishing the regime of full transparency for the energy sector and strengthening controls by the civil society;
- providing wide information about reform process, mechanism of formulating solutions, pricing, personnel policy, providing the public with the information about the financial results, finally, the public involvement to the public policy development in the energy sector must become daily norm for the energy sector. It'll serve as a balance towards the management self-will and theft;
- transmission of the energy assets to an effective owner.

Transmission of the energy business to an effective owner is the optimal way of reform development. Institutional changes concerning basic economic and legal relations of the business subjects, rights owners (or long-term concessions) will give confidence in full coverage of expenditure of all the investments

First steps to reform

- To have political will to reform;
- Consumers, including the population must know and support reform's objectives;
- To create necessary legislative and regulatory framework;
- To create necessary institutional environment;
- To introduce the market methodology of tariffing.
- Gradual reduction of the public participation and increasing the private sector in the development of the energy system;
- To conduct tariff policy which creates the conditions for the expanded reproduction of the energy sector;

The objectives of the policy in the electricity sector must be:

- financial improvement of sectors;
- improvement of the energy companies' productivity;
- creation of the necessary prerequisites for well-balanced and integrated development of the energy sector,
- forming a basis for sustainable development of the sector and energy security in Kyrgyz Republic within the long-term period.

It's necessary to undertake three kinds of tasks (institutional, tariff and investment) to achieve the above-mentioned objectives.

Institutional tasks

1. Development of the effective energy market model adapted to the conditions of Kyrgyz Republic, creation of the institutional frameworks and regulatory framework necessary for its functioning and creation of the preconditions for regional energy market development.
2. Radical change of the state regulation system by the energy sector and creation of efficiently working institute regulator of the energy market.
3. Increasing transparency of the business in the energy sector, development and strengthening the mechanisms of civil society participation in the policy making processes in the energy sector and evaluation of this policy's results.

4. Strengthening of the energy companies' institutional potential, improvement of the financial and corporate governance, strengthening of the fiscal discipline and achieving profitability.
5. Combating the manifestations of corruption in the energy sector.

Tasks of improving tariff policy in the energy sector

1. Ensuring the balance of the participants' interests in the energy market on the basis of the economic principles;
2. Phased reduction in using the cross-subsidization mechanisms to the minimum size;
3. Creation of the growth mechanism of investment by incorporating the tariffs of the investment component.

Tasks of improving investment climate and developing external markets

1. Ensuring the investment attractiveness of the energy sector.
2. Ensuring the transparency of the machinery investment by the foreign companies in the energy sector of Kyrgyz Republic.
3. Forming the competitive advantage of Kyrgyz Republic in the field of electricity production and supply within the Central Asian region.

Development of institutions and forming the effective regulatory body.

The objective of creating the regulatory body is maintaining effective and dynamic parity of interests between the energy companies themselves and also electricity consumers and creating potential for sector development. It's expedient to form effective regulatory body in the energy sector in two directions:

1. *Separation of powers in policy making and pricing, carrying out licensing and control functions.* They must be divided between MIEFR, the regulatory body and the state energy inspectorate in order to prevent the conflict of interests and possibilities of their abuse. Other ministries and departments mustn't be involved in the management of the energy sector. At the same time the regulatory body itself must be completely transparent in its intentions and actions and openly join the discussion of the policy conducted both by the power bodies and the concerned groups.
2. *Transformation of the regulatory body itself and converting it into the meaningful market institute.* The regulatory body must:
   - have exceptional powers to issue licenses for working in the energy sector in accordance with the Kyrgyz Republic Legislation;
   - establish economically sound methodologies and procedures of pricing and tariffing;
   - establish tariffs for services on power transmission and dispatching, sale of electricity, heat and natural gas;
   - implement the producers demonopolization policy, further the development of competition providing all the competitors with equal opportunities and access to work in the energy sector;
   - monitor the activity of the controlled subjects of the energy sector and ensure compliance with the terms of license issued by the regulator and also rules and ordinances adopted by him;
   - develop and implement the standards and regulations on providing the services for consumers in accordance with Kyrgyz Republic Legislation;
   - establish mechanisms of investigating customers' complaints and resolving disputes between consumers and controlled subjects of the energy sector and also between the subjects of the energy sector itself.

3. *It is necessary to adopt legal and regulatory framework for the effective work of the regulatory body which* includes the following set of rules for the energy sector:
   - rules for a trading system administrator;
   - rules for a system operator;
   - rules for free bilateral contracts and the "day ahead" market;
   - rules for balancing market;
   - rules for power trade;
   - rules for the market system services;
   - rules for trading market of the rights to use electricity network bandwidth – financial rights to transfer;
   - rules for the market for financial derivatives.
   - increasing the transparency of the energy sector in the above-mentioned issues.

Development of tariff policy in the energy sector

The primary objectives of the tariff policy are introduction of the principles of the energy sector's self-repayment, phased elimination of the cross subsidies in the field of tariffing and also annual improvement of the main indexes of the energy sector in order to create attractive investment environment. For this reason tariff policy must be based on the following basic principles:

1. Tariffs must cover all the expenses of the energy company connected with generating, transmitting, distributing and selling electricity.
2. Tariffs for each group of consumers must reflect all the expenses on supply this category of consumers with electricity.
3. All the subsidies must be directed to the electricity consumers (population) on a low income via governmental social protection programs.

On the basis of tariff policy objectives, *tariffs for electricity will be differentiated according to the categories of consumers*, taking into consideration the following principles:

а) compliance of the tariffs established for different categories of consumers with the real costs of the controlled companies on generating, transmission, distribution and sale of electricity for the given category of consumers;
б) the tariff size must depend on the voltage level in the consumer's point of connection to the electricity network of the electricity supplying company and also mode of using allowable maximum electricity power by consumer.

However, *final tariff for all the consumers without exception* must consist of the following main parts:

- tariff for the electricity production;
- tariff for the electricity transmission;
- tariff for the electricity distribution;
- tariff for the sale of electricity.

Improvement of the energy sector's investment attractiveness

Measures to increase the investment attractiveness of the energy sector

The World Bank and EBDR report that the investment climate in Kyrgyz Republic is one of the least favorable in the European and Central-Asian Region[51]. The problem of improving the investment climate has got integrated nature and affects almost all spheres of the

[51] http://www.24.kg/economics/2007/10/12/64969.html

government and regulation in Kyrgyz Republic. In accordance with the National Development Strategy it's necessary:

- to pursue predictable and stable economic policy;
- to provide macroeconomic and political stability;
- to improve tax administration;
- to improve customs regulations;
- to provide transparency in all the state bodies regulating investment processes;
- to simplify further administrative barriers and procedures of investment processes;
- to create independent judicial system.

It's very necessary to implement the above-mentioned things but they don't provide enough conditions to improve the investment attractiveness of the sector. In the energy sector there are much more important indicators for potential investors which demonstrate the investment attractiveness of this sector:

- the country's ability and desire to manage the high level of loss, the low collection of payments and efficient fight against corruption in the energy sector.
- To pursue the tariff policy in the energy sector that lets provide the investor with reasonable profit. Economic benefit that he will get due to investments is important for all the investors. Until the tariffs let get reasonable profit, the investment attractiveness of the energy sector will be considered to be low.

Table 4.1. Action Plan on Energy Sector Development

№	Activities	Implementation periods	Expected result	Financial sources
	1. Electricity production - 12,3 billion kWh 2. Export volume – 1000 million kWh, per annum till 2011.			
1.	1) Develop a general placement scheme for generating capacities, consumption regimes, leveling energy systems loading 2) Develop «Operation rules for Toktogul storage facility» and approve by MIEFR's resolution.	III, 2009 IV, 2009	Rational and effective use of electricity	Budgetary financing
2.	Introduce additional generating capacities to increase export potential.	IV, 2009	Increase export potential and enhance export position at regional market of electricity.	Russia's investment resources -1,7 billion US dollars
3.	Develop a feasibility study of construction Kambar-Ata 1	IV quarter 2009.		5 billion soms of own resources (budget and JSC «Electrical stations»)
4.	Start construction of Kambar-Ata HPS-1 (construction period – 8 years).	2010 – 2011		
5.	Provide launching of the 1st aggregate of Kambar-Ata HPS-2 (construction period – 4 years).	I, 2010		For 2009-2011, 200 million US dollars
6.	Develop feasibility study of	2009 – 2011	Increase production	2,05 billion soms,

№	Activities	Implementation periods	Expected result	Financial sources
	reconstruction and modernization of Bishkek heating station, carry out its annual repair		of electric and heating power	Energy company's own resources
7.	Carry out reconstruction of Uch-Kurgan HPS	IV, 2010	Provide additional production of electricity	615 million soms, Energy company's own resources
8.	Develop a feasibility study for Kara-Keche HPS for capacity not less than 600megawatt. Create conditions to attract investment for construction. Resolution of MIEFR's colleagium.	IV, 2009	Increase generating capacity to cover needs of north region of Kyrgyzstan	Budget and JSC «Electrical stations»
9.	Provide construction of small HPS by applying clean development mechanisms of: - Kirovskiy - Orto-Tokoiskiy -Papanskiy HPS - Kara-Suiskiy (Kara-Kul)	2011	Enter additional capacities	Investments required 8,36-11,02 billion soms
	3. The level of electricity losses in distribution networks – by 27% by 2011.			
10.	Carry out rehabilitation and modernization of distribution networks	2009-2011	Enhance reliability, reduce accident risk, losses.	Investments required 10 billion soms
11.	Construction and entry of new high-voltage lines and substations for purposes of increasing carrying capacity and improving infrastructure for provision of electricity export.	2009-2011	Increase transmission capacities and strengthen energy and economic safety.	Investments required 13,7 billion soms
12.	Develop general plans of heat supply for Bishkek and Osh cities taking into account decentralization of heat supply system, installation of heat counters for consumers and in municipal boiler houses.	IV, 2010	Improve heat supply, reduce losses	Budget of Bishkek and Osh cities and JSC «Electrical stations»
	4 Collection of payments for consumed electricity – 97 % by 2011 **5. Tariff rate for electricity – 1,66 som/kWh by 2012**			
13.	Improve administration	2009 -2011	Reduction of quasi-fiscal budget deficit	Ministry of Industry, Energy and Fuel Resources
14.	Implement market methodology of tariffing			
	6. Coal production – 1479 thousand tons for 2009-2011.			
15.	Provide development of Kara-Keche coal deposit or preserve sector coal production volumes at the level of 2008.	2009-2011	Production 1479 thousand t. (annually on the average 493 thousand tons)	At the cost of attracting investment
	7. Gas production – 51 million cubic m. for 2009-2011.			

№	Activities	Implementation periods	Expected result	Financial sources
	8. Oil production – 237 thousand tons for 2009-2011.			
16.	Support development of oil-gas sectors at the expense of attraction direct investments.	2009-2011	237 thousand tons of oil; 51 million m3 gas	Gas sector needs direct investment in volume around 21 billion soms
		IV, 2009	75 thousand tons - oil; 17 million m.3 gas.	
		2010	80 thousand tons oil; 17 million m3-gas.	
		2011	82 thousand tons oil; 17 million m3 gas.	
	9. Development and adoption of Government Resolution on Energy saving			
17.	Develop a Program of Reduction of GDP Energy Intensity by 13%. To attain the indicated objective, it is necessary to develop subprograms of energy saving to the sectors of economy.	IV, 2009	Effective and rational use of electricity.	MIEFR
	10**. Conduct reforms:** **Concession or privatization of electricity distribution companies 2012; establishment of independent regulatory body in the energy sector 2012; development and adoption of package of rules on energy market's activity.**			
18.	Transmit to concession or privatization of distribution companies.	2009-2010	Receipt of funds from concession or privatization to the budget. Improvement of corporate and financial management of companies and reliability of electricity supplies.	Committee on Management of the State Property

4.2. Tourism

<u>Conclusions on the sector development</u>

Conclusions and recommendations on the sectoral development are clearly formulated in the Country Development Strategy for 2009-2011. They are fully correlated with this study.

In tourism area, Kyrgyzstan has strong competitive advantages. First of all, this is rich, lively, original culture and traditions, history, preserved ecology. In addition, Kyrgyzstan has the basis for establishing material base for tourism. Kyrgyzstan is rich for natural beauty – they are relict forests, mountainous lakes and rivers, mineral sources. There are many historical monuments in Kyrgyzstan, it has a great potential of mountainous tourism and mountaineering.

Kyrgyzstan's the largest tourist resource is Issyk-Kul lake with a unique combination of mountainous and maritime climate, magnificent beaches, crystal-clear medical water with mineral sources, mud and thermo mineral treatment. Issyk-Kul is world scale resort-health treatment area.

Tourism sector is a multisectoral complex, depending and having an impact on many other sectors of economy. It is obvious that the sector development must occur together with them. Moreover, there should be harmonization of many sections of legislation law, international, transport, customs, land, tax, licensing, environmental and etc, in view of that it is necessary to adopt a number of laws and by-laws directed at creating favorable conditions for development of domestic and entrance tourism, entrepreneurship in that area. In addition, the profile Law of the Kyrgyz Republic "On Tourism" does not already meet the requirements of today's situation and practically does not work.

The majority of objects of tourism material base and infrastructure are in unsatisfactory state that restrains the sector development. The quality of rendered services on those objects does not meet the requirements of international standards of quality, safety and environmental protection.

The development of tourism in Kyrgyzstan is being held back by the limited aviation access on many routes, high transport costs in tour package price for foreign tourists, poor condition of roads.

A big problem is insufficient level of security during arrangement of tourist activity that has also a negative influence on inflow of tourists to the country.

Incomplete and inauthentic registration of arriving foreign tourists is an important problem. The existing system of registration of arrivals of foreign tourists does not reflect full and objective situation of tourist stream to Kyrgyzstan and impact of tourist expenses on Kyrgyzstan's economy. Moreover, virtually the total money turnover of tourism sphere occurs in cash which enables to hide factual situation of mutual settlements of tour agents and tour operators and owners of tourist objects.

Getting tourist visas by foreigners remains a problem. The opportunity of foreigners to receive entry visas from foreign embassies on the basis of their personal application does not resolve the issue since not any country does have a diplomatic and consular institutions of the Kyrgyz Republic.

A certain concern arises relating to potential threat of environmental pollution in areas of mass tourism, especially in Issyk-Kul.

Sector development recommendations

To ensure development of the industry the country sets up the following tasks[52]:

(i) Ensure industry institutional development;

(ii) Formulate modern promotion strategy for tourist product in the international market with the key idea of creating positive image of Kyrgyzstan as tourism country in the international tourism market;

(iii) Create favorable conditions for sustainable development and modernization of tourism infrastructure bringing it up to international standards in the area of service quality improvement, including mass production of tourist

[52] Tasks and activities of CDS 2009-2011 are state policy activities formulating general direction of the sector development. Therefore, the most important ones are presented entirely.

cadre at junior and medium level to fulfill labor market needs of tourism sector in high quality specialists.

To resolve these tasks the following activities will be implemented during next three years: development of General Tourism Development Scheme on Basis of Tourist Clusters, establishment of institute of “free tourist zones”, development of tourism infrastructure facilities, improvement of tourism legislative framework, improvement and simplification of visa regime for international tourists, introduction of effective tracking systems monitoring incoming tourists.

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Long-term strategy of Kyrgyzstan tourist product promotion in the main international markets includes: development and promotion of Republican brands (“Kyrgyzstan – country of tourism”, “Kyrgyzstan – country of Santa Clauses”, “Kyrgyzstan – country of pure nature”, “Kyrgyzstan – country of mountainous peaks”); development and promotion of local tourist brands for each country region, organization of international festivals, contests and other events of international importance for attraction of international and internal tourists; conducting of large-scale advertising and information activities aimed at lobbying and promotion of Kyrgyzstan as tourism country; formulating modern tourism statistics complying with international requirements and taking into account multiplication impact of the industry development.

The following activities will be implemented to improve tourist service quality and safety of international tourists: introduction of mechanism of tourist operators’ and tourist agencies’ economic liability to protect the rights of tourists, creation of specialized tourist rescue service, improvement of existing professional standards for key professions in the tourist industry, creation and implementation of training programs corresponding to the needs of modern tourist industry, assistance to promising applied researches in the area of tourism.

The following activities should also be implemented for successful tourism development in Kyrgyzstan:

- It is necessary to develop and implement development programs of areas representing tourist value with mandatory inclusion of tourist development;
- Ensure preparation of high quality specialists in all tourism spheres (tourist agencies and guides, hotel business, catering, information centers etc.).
- Ensure construction and reconstruction of roads in tourist areas;
- Simplify customs procedures and reduce time for inspecting, clearing and obtaining luggage. It is necessary to improve control over employees of customs and border agencies based on quality of their work;
- Create round-the-clock tourist information centers in Bishkek and tourist places (airports, railroad and bus stations), which would provide all necessary information to tourists;
- It is necessary to ensure cleanness in tourist areas, including beaches, в т.ч. пляжей, climbing camps etc.;
- Oblige catering facilities to comply with sanitary standards;
- Assist in preparation and publishing of information materials (including in internet) about Kyrgyzstan and its tourist places;
- It is necessary to cooperate with business sector in order to design and implement programs of population ecological education, and formulating of ecological behavior habits corresponding to the level of leading tourist countries;
- Develop partnership with regional operators, representatives of the National Parks и Reserves, local communities, craftspeople, folklore groups for the benefit of ecotourism development;

- Actively cooperate with tourist associations and organization in other countries.

Other areas requiring improved policy of sector development promotion. Joint efforts with other economy sectors

From direct impact viewpoint recommendations presented above are sufficient. However, it is necessary to understand that tourism is special industry, which affects and links other economy sectors.

Therefore, it is necessary to ensure harmonization of general economic, industry and regional development strategies with goals and tasks of tourism development. In addition, it is necessary to ensure that Kyrgyz Republic legislation, at a minimum, does not hamper tourist sector development or, ideally, enables such development.

Development of two big sectors of economy might give additional impulse to development of tourism:

- Small and medium business (SMB). All tourism industries are represented by small and medium businesses. Therefore, any measures aimed at SMB development impact tourism sector;
- Craftsmanship. In spite of small size this industry has many positive features: craftspeople produce souvenirs attractive for tourists due to its national style, the industry gives additional income to workers etc.
- Banking sector and insurance. Developed banking and insurance services simplify lives of tourists in Kyrgyzstan. In its turn, tourism development will provide banks and insurance companies with additional clients, which might generate income comparable with income from domestic clients.
- Transport and transport infrastructure. This sector determines availability of tourist resources for tourists. In addition to reconstruction of roads mentioned in recommendations section, it is necessary to develop transport and transport enterprises, civil aviation with entire infrastructure, railroad transport. In longer prospect, construction projects of rail roads to Kara-Keche and from China to Uzbekistan through Kyrgyzstan should be implemented.
- Communications. Modern person, especially from developed countries, is completely integrated to the global information system. Therefore, lack of communication and Internet access is negative factor, which impacts the decision of potential tourist to visit Kyrgyzstan.
- Reserves and nature parks. These places are really attractive areas for tourists. Their proper condition will help to increase tourist visits. At the same time, there is potential for increasing budgets of reserves and nature parks, which will determine their further development.

Table 4.2. Action Plan on Development of Tourism and Related Sector

№	Activity	Implementation period	Expected result	Financial sources
Measures on sectoral development				
1.	To carry out measures on promotion of brand «Kyrgyzstan is a home of Santa Claus»	2009-2011	Promotion of image of Kyrgyzstan as a country of tourism, increase the	Funds of republican budget

			number of foreign tourists	
2.	Organization of participation of the national stand of the Kyrgyz Republic (“Kyrgyzstan is the country of tourism)” in major international tourist exhibitions and fairs for presentation of the potential of the Kyrgyz Republic as a country of tourism.	2009-2011	Promotion of image of Kyrgyzstan as a country of tourism, increase the number of foreign tourists	Funds of republican budget
3.	To provide for organization and implementation of annual Kyrgyz international tourist fair (BITF) in Bishkek	2009-2011	Promotion of image of Kyrgyzstan as a country of tourism, increase the number of foreign tourists	Funds of republican budget
4.	To provide for organization and implementation of tourist fairs across the country (Osh, Issyk-Kul, Jalalabat, Batken, Talas)	2009-201	Promotion of image of Kyrgyzstan as a country of tourism, increase the number of foreign tourists	Funds of republican budget
5.	To provide for organization and implementation of international festivals of folk arts and crafts, demonstration of customs and traditions of the Kyrgyz people, demonstration of national games (horse racing, etc.)	2009-2011	Promotion of image of Kyrgyzstan as a country of tourism, increase the number of foreign tourists	Funds of republican budget
6.	To provide for organization and implementation of information tours for representatives of foreign mass media, business community and tourist organizations. Arrangement for a PR campaign to promote tourist potential of KR	2009-2011	Promotion of image of Kyrgyzstan as a country of tourism, increase the number of foreign tourists	Funds of republican budget
7.	To arrange for the production of printed advertizing materials to promote tourist potential of KR: catalogues of tourist routes, guidebooks, booklets, calendars, posters.	2009-2011	Promotion of image of Kyrgyzstan as a country of tourism, increase the number of foreign tourists	Funds of republican budget
8.	To provide for organization and implementation of activities/events to celebrate the international Tourism Day	2009-2011	Promotion of image of Kyrgyzstan as a country of tourism, increase the number of foreign tourists	Funds of republican budget
9.	To arrange for the production and translation of video materials about tourist potential of Kyrgyzstan on major TV-channels of the CIS and the world: ORT, BBC, National Geographic and Discovery in Russian, English, Chinese and Japanese languages.	2009-2011	Promotion of image of Kyrgyzstan as a country of tourism, increase the number of foreign tourists	Funds of republican budget

10.	To open on the basis of Kyrgyz embassies and consulates information tourist centers of KR in the cities of Moscow, Yekaterinburg, Novosibirsk and Almaty. To provide for organization of outdoor advertizing of tourist potential of KR in central streets of these cities	2009-2011	Promotion of image of Kyrgyzstan as a country of tourism, increase the number of foreign tourists	Funds of republican budget
11.	To open tourist offices at the Manas Airport, railway station, Tamchi Airport. To arrange for 24x7 service for meeting of tourists during the holiday season	2009-2011	Provision of information support of tourists	Funds of republican budget
12.	To create the national service for registration and rescue of mountain tourists and provide conditions for reliable operation of such service	2009-2011	Provision of security of tourists	Funds of republican budget
13.	To develop and support a tourist web portal with a following brand: “Kyrgyzstan is the country of tourism”, with a search engine and a possibility of posting orders and booking tourist services online	2009-2011	Promotion of image of Kyrgyzstan as a country of tourism, increase the number of foreign tourists, development of private sector of tourist services	Funds of republican budget
14.	To develop and support Tourist Information Centers(TIC) in rural areas	2009-2011	Provision of information support of tourists	Funds of republican budget
15.	To make a package of project documents, prepare feasibility study and provide for creation of tourist clusters and investment sites for construction of hotels, camping and other facilities with a view to improve roadside infrastructure.	2009-2011	Promotion of image of Kyrgyzstan as a country of tourism, increase the number of foreign tourists, development of the private sector of tourist services	Funds of republican budget
16.	To arrange for an international seminar with participation of service providers (“Business to business”) from Turkey, as well as representatives of small and medium travel agencies of KR in Antalya	2009-2011	Promotion of image of Kyrgyzstan as a country of tourism, increase the number of foreign tourists, development of the private sector of tourist services	Funds of republican budget
17.	Hold regular training seminars on tourism for the National Security Service (NSS), Ministry of the interior, border guards and customs bodies	2009-2011	Introduction of behavioral model of hospitality, training of highly skilled tourism workers	Funds of republican budget
18.	On a permanent basis, train and improve qualification in the health	2009-2011	Improved quality of service in	Funds of republican budget

	resort, hotel and public catering sector in special educational centers for training and improvement of professional skills of tourist personnel (EC) in THE country regions		accordance with international standards	
19.	Ongoing scientific and research aimed to study the tourist potential of KR; composition and publication of educational and methodology literature for both educational institutions and workers in the tourism sector. Involvement of scientists and experts in accomplishment of this task.	2009-2011	Expansion of range of tourist services in the country. Formulation of the Master Plan till 2010 (general plan of development of tourism by various areas)	Funds of republican budget
Some measures on development of related sectors				
20.	To provide for repair and maintenance motor roads and highway structures for general use	2009-2011	Improvement of the quality of road networks, reduction of time for transportation of cargo and passengers by roads of general use, rehabilitation of wearing layer and prolongation of serviceability of roads with hard coating	Funds of republican budget and donor's assistance
21.	To implement CAREC Project «Improvement of Regional Road Corridor»	2009-2011	Enhancement of national transit capacity, expansion of opportunities of access to regional markets of goods and services	Funds of republican budget
22.	To provide for modernization of the aero navigation equipment	2009-2011	Maintenance of flight safety; reduction of delays in international and local flights, as well as better service of transit aircrafts	Funds of republican budget
23.	To elaborate feasibility study for construction of the China-Kyrgyzstan-Uzbekistan railroad	2009	Development of a railroad sector. Increased commodity traffic transported by railroad.	Funds of republican budget
24.	To provide for installation of telephones in settlements that have not been covered so far	2009-2011	Installation of telephones in all settlements across the country;	Funds of republican budget

			digitization and development of the local communication infrastructure	
25.	To implement the National strategy «ICT for development of KR»	2009-2011	Expansion of information and communication services offered to the population. Ensuring equal, affordable and high-quality access to information services.	Funds of republican budget and other provided for
26.	To develop, approve and update the existing town-planning documentation for not less than 400 settlements of the republic	2009-201	Development of the town-planning documentation: 2009 – for oblast and rayon administrative centers; 2010-2011 – for other settlements	Funds of republican budget
27.	To simplify administrative procedures for coordination of projects and collection of permits	2009-2011	Reduction of the terms of housing preparation and construction	Funds of republican budget
28.	Development of banking area and expansion of geography, distribution of cash machines	2009-2011	Expansion of access of population and tourists to modern banking services	Funds of financial institutes
29.	Introduction of mechanisms of mandatory insurance of civil liability by approval of the following laws: «On insurance of professional liability of tour operators and agents », «On mandatory insurance of tourists»	2009-2011	Increased level of financing in the quasi-banking system and further development of insurance sector	Funds of republican budget
30.	Introduction of mechanisms[53] of self-financing of natural parks and reserves	2009-2011	Development of natural reserves and parks	Funds of republican budget

[53] The measure is not mentioned in the state strategies

LIST OF ABBREVIATIONS AND INDICATIONS APPLIED IN THE TEXT OF NSPR

ADB	Asian Development Bank
JSC «VE»	Joint-stock company «Vostokelektro»
JSC «D-AE»	Joint-stock company «Djalal-Abadelektro»
JSC «KG»	Joint-stock company «Kyrgyzgaz»
JSC «OE»	Joint-stock company «Oshelektro»
JSC «SE»	Joint-stock company «Severelektro»
WB	World Bank
GDP	Gross Domestic Product
SAAPCD	State Agency on Antimonopoly Policy and Competition Development of the Kyrgyz Republic
SAAC	State Agency on Architecture and Construction of the Kyrgyz Republic
SDRFEC	State Department on Regulation of Fuel-Energy Complex under Ministry of Industry, Energy and Fuel Resources of the Kyrgyz Republic
SCME	State Committee on Migration and Employment of the Kyrgyz Republic
SE «Komur»	State Enterprise «Komur»
SE «Kyrgyzkomur»	State enterprise «Kyrgyzkomur»
LM	Lubricating materials
SUEHCS	State Union of enterprises of housing and communal services
HPS	Hydroelectric power station
EBRD	European Bank for Reconstruction and Development
EurAsEC	Eurasian Economic Community
JK KR	Jogorku Kenesh of the Kyrgyz Republic (Parliament)
ISO	International Organization for Standardization
KSTC «Energia»	Kyrgyz Scientific-Technical Center for Energey «Energia»
LIC	Large industrial consumers
SCMSP	State Committee on Management of State Property of the Kyrgyz Republic
QFD	Quasi-fiscal deficit
TL	Transmission line
IMF	International Monetary Fund
IWEC	International Water-Energy Consortium
MIEFR	Ministry of Industry, Energy and Fuel Resources of the Kyrgyz Republic
MAWPI	Ministry of Agriculture, Water and Processing Industry of the kyrgzy Republic
MLSD	Ministry of Labor and Social Development of the Kyrgyz Republic
MF	Ministry of Finance of the Kyrgyz Republic
IETC	International Electrotechnical Committee
MEDT	Ministry of Economic Development and Trade of the Kyrgyz republic
MJ	Ministry of Justice of the Kyrgyz Republic
NB KR	National Bank of the Kyrgyz Republic

NRSE	Non-traditional renewable sources of energy
NISM	National Institute for Standardization and Metrology
NEP	National Energy Program
JSC «NES Kyrgyzstan»	Open joint-stock company «National Electrical Network of Kyrgyzstan»
JSC «ES»	Open joint-stock company «Electrical stations»
LLC	Limited Liability Company
JES	Joint-energy system
GKR	Government of the Kyrgyz Republic
CIS	Commonwealth of Independent States
CSR	Construction standards and rules
JV	Joint venture
CDS	Country Development Strategy
CCT	Cost-covering tariff
FEB	Fuel-energy balance
FEC	Fuel-energy complex
FER	Fuel-energy resources
EPS	Electric power sector

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ANNEXES

Annex 1. Information on reserves and qualitative characteristics of coal produced by enterprises at the deposits as of 01.01.2007

№	Name of deposit and operating enterprise	Coal rank	Ash content %	Humidity %	Heating capacity in kilocalorie/kg.		Balance reserves mln.tons	Industrial reserves mln.tons
					highest	lowest		
1	JSC «Kyzyl-Kyakomur» total:	Б-3	24,1	25,6	5705	3810	3,6	3,02
	incl. MINE «VALAKISH»						2,1	1,6
	Open-cast «Abshir»						1,5	1,42
	LLC «Besh-Burkhan»						38,1	37,27
2	JSC «Suluktakomur» total:	Б-3	16,3	22,8	6700	5300	47,0	31,1
	Incl. Mine by Razzakova						21,0	11,5
	Mine «Tabyshker»						20,0	14,0
	Open-cast «Kyzyl-Bulak»						6,0	5,6
	Reserved areas № 8, № 11						114,0	
3	JSC «Almalykkomur» total:	Б-3	26,0	23,3	6549	4097	18,5	16,2
	Incl. by open method						-	-
	By underground method						16,2	
4	SJSC «Tash-Komur» total:	Д	31,9	14,5	7100	4300	37,0	27,19
	Incl. Mine «Severnaya»						8,3	3,9
	Open cut «Kara-Suu»						28,7	
	Reserved area «Tegene podzemnyi»						30,0	
5	JSC «Tegene»	Д	21,9	19,5	7310	4400	6,8	3,6
6	OJSC «Kok-Jangak»	Д	21,5	9,8	7300	4768	30,0	9,93
7	OJSC «Jyrgalan» total:	Д	12,8	11,7	7400	5000	2,5	1,56
	Incl. Horizon +2100 m.							0,8
8	OJSC «Open cut Ak-Ulak» total:	Б-3	13,3	22,5	6800	4700	65,0	62,3
	Incl. Open cut «Ak-Ulak»						48,0	45,9
	Open-cast Tuura-Kavak							
	Open cut «Kara-Keche»						17,0	16,5
9	JSC «Suluktakurulush»,	Б-3	16,3	22,8	6700	4080	21,2	16,0
10	LLC «Parity Coal» total:	Б-3	31,5	15,63	7279	4509	3,7	3,13
	Deposit «Turuk»	Д	10,12	5,72	7450	7092	1,54	1,36
11	LLC «Konorchok»	Д					0,680	0,640
12	LLC «Sardar»	Д					0,860	0,82
13	LLC «Besh-Sary-K»	Б-3	13,3	22,5	6800	4700	174	168,6
14	JSC «Ak-Zhol»	Б-3	13,3	22,5	6800	4700	1,1	1,02
15	CJSC «Sharbon»	Б-3	13,3	22,5	6800	4700	0,4	,033
16	Uzgen coal basin, total:						155,2	139,9
	Deposit «Kumbel»	Д	4,27	13,41	8457	6390	11,00	10,5
	Deposit «Kara-Dobo»	К	4,30	7,1	8602	8089	98,6	86,0
	Deposit «Torgoi-Dobo»	Г	2,7	10,8	8560	8200	0,46	0,4
	Deposit «Aldiar»	Д	3,26	22,61	7248	4541	45,0	43,0
	Total by sectors:						**751,18**	**522,65**

Annex 2. Methodology of calculation of quasi-fiscal deficit in energy sector of Kyrgyzstan

In total, formula for calculation of KFD in money terms looks like as follows:

Q = KEL + KTL + KCC, where:
KEL – component (composite) of KFD connected with over normative systems losses of power, expresses in money terms;
KTL – component (composite) of KFD related to low tariffs for energy in money terms;
KCC – component (composite) of KFD connected with incomplete collection of money resources (in cash) paid for consumed power in money terms.
At the same time component of KFD related to over normative losses of KEL is calculated on the formula:

KEL = GDM * CRT * (LT - LR) / 100, where:

GDM – volume of power supplied to domestic market;
CRT – tariff covering the costs production, transmission and distribution of energy;
LT – percentage of overall losses of energy in domestic market;
LR – percentage of normative losses of energy in domestic market.
Quantity of electricity supplied to domestic market GDM is calculated on the formula:

GDM = GSO - ET + IT, where:
GSO – total sale of energy from station buses;
ET – total export of energy;
IT –total import of energy.
Volume of total actual losses of electricity in domestic market LT in percentage is calculated on the formula:

LT = GTL / GDM * 100%, where:
GTL – total actual losses of energy in domestic market in kWh.
Actual losses of energy in domestic market GTL in kWh is calculated on the formula:

GTL = GDM - GB, where:
GB – useful sale of energy in domestic market in kWh which is determined as a sum of useful selling to consumers by distribution companies (DC), OJSC "Electric stations" and OJSC "National electric network of Kyrgyzstan".
The agreed normative losses of energy in domestic market LR = 13% (technical losses).
Component of KFD connected with low tariffs for energy KTL is calculated on the formula:

KTL = GB * (CRT - TB), where:
TB – average tariff according to bills drawn (average tariff for system).
Tariff on the drawn bills TB is determined as a result of separation of commodity output sold in domestic market, into useful sale of energy in domestic market.
Component of KFD connected with unsatisfactory collection of money in cash for usefully sold energy in domestic market KCC is calculated on the formula:

KCC = GB * TB * (100% - CA% - CR%) / 100, where:
CA – actual collection in cash in domestic market in %;
CR – normative shortage of payment in cash in domestic market in %.

The agreed percentage of shortage of payment in cash within domestic market CR = 2% (commercial losses).

Annex 3. Participation of the Kyrgyz Republic in multilateral and regional agreements

Тип/название	Основные возможности соглашений	Участники
Customs union/Common market CIS Economic union	Date of signing: 24 September 1993. Objective: free movement of goods, services, capital and labor force; agreed monetary and credit, financial, tax, price, foreign trade, customs and currency policies. Implementation: (a) interstate association (multilateral) free trade; (b) customs union; (c) common market of goods, services, capital and labor force; (d) currency union; review of separate agreement for each stage of integration Current status: Adoption of action program of the CIS development and implementation of action plan aimed at developing and increasing effectiveness of economic cooperation of the CIS during 2003-2010.	CIS countries, except Ukraine and Turkmenistan (Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Moldova, Russian Federation, Tajikistan, Kazakhstan and Uzbekistan). Ukraine is a party which is not a member of the CIS and Turkmenistan is a member.
Eurasian Economic Community (EurAsEC)	Date of signing: 26 February 1999. Objective: general customs tariff (GCT), external customs border, uniform economic area; customs union and single economic space; Members agreed to coordinate tax, currency and customs policies. Implementation phase: (a) free trade area without exclusions; quotas, uniform tax system; (b) GCT and final customs union; (c) single economic area for promotion of goods, services, capital and labor force. Terms to complete establishment of customs union are not set. Current status: GCT is progressively implemented.	Belarus, Russian Federation, Kazakhstan, Tajikistan and Uzbekistan
Central Asian Regional Economic Cooperation (CAREC)	Decision is made in October 2005 that CAREC and EurAsEC shall be united (Council of Heads of EurAsEC States 6 October 2005)	Kazakhstan, Tajikistan, Uzbekistan and Russian Federation
Regional agreements on free trade Free Trade Agreement between CIS states	Date of signing: 15 April 1994. Objective: free trade area as a transition agreement for establishment of customs union. Implementation phases: step-by-step	All CIS countries except Turkmenistan (Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Moldova, Russian Federation,

	elimination of all taxes, duties and dues without certain timeframes Current status: Kyrgyz Republic participates in free trade with all CIS countries, except Turkmenistan,	Ukraine and Uzbekistan)
Economic Cooperation Organization Trade Agreement (ECOTA)	Kyrgyz Republic does not intend to sign ECOTA.	Iran, Pakistan, Turkey, Afghanistan, Azerbaijan, Kazakhstan, Tajikistan, Turkmenistan, Uzbekistan
Bilateral agreements on free trade	Date of signing: 4 July 1994. Conditions: FTA without exemption. Certain condition: cover any goods if protocol on exemption does not come into force Current status: free trade agreement without exemption	Armenia
	Date of signing: 12 January 2004. Conditions: FTA without exemption Current status: free trade agreement without exemption	Azerbaijan
	Date of signing: 30 March 1999. Conditions: FTA without exemption Current status: free trade without exemption	Belarus
	Date of signing: 22 June 1995. Conditions: FTA without exemption Current status: free trade without exemption	Kazakhstan
	Date of signing: 26 May 1995. Conditions: FTA with quotation under separate protocol but not signed Current status: free trade without exemption	Moldova
	Date of signing: 8 October 1992 Conditions: FTA with possible exemptions under separate protocol but not signed yet Current status: free trade without exemption	Russian Federation
	Date of signing: 19 January 2000г. Conditions: FTA without exemption Current status: free trade without exemption	Tajikistan
	Date of signing: 26 May 1995г. Conditions: FTA without exemption	Ukraine
		Uzbekistan

	Current status: free trade without exemption Date of signature: 24 December 1996г. Conditions: FTA with protocol on exemption Current status: free trade without exemption	

Source: *WTO Secretariat, Ministry of Economic Development and Trade of the Kyrgyz Republic*.

a Uzbekistan has joined in 2006, Armenia, Moldova and Ukraine - observers.
b Russian Federation, Georgia, Turkey and Ukraine have the status of observer since 1996.
c Bosnia and Herzegovina, Central-African Republic, Thailand, Russian Federation and Turkish Republic Cyprus – observers.

Annex 4. Kyrgyz Republic: schedule of specific commitments in services

Sector or subsector	Limitations on market access	Limitations on national treatment	Additional commitments
I. Horizontal commitments			
Commitments include <u>all</u> sectors	(4) Unbound except for measures concerning temporary entry and stay of nationals of another member who fall into the categories below: <u>Services Salespersons</u> - persons not based in the territory of the Kyrgyz Republic and receiving no remuneration from a source located within the Kyrgyz Republic, who are engaged in activities related to representing a services supplier for the purpose of negotiating for the sale of the services of that supplier where: a) such sales are not directly made to the general public and b) the salesperson is not engaged in supplying the service. Entry for persons named in this section is limited to a ninety-day period. <u>Intra-corporate Transferees</u> - managers, executives and specialists, as defined below, who are employees of firms that provide services within the Kyrgyz Republic through a branch, subsidiary, or affiliate established in the Kyrgyz Republic and who have been in the prior employ of their firm outside the Kyrgyz Republic for the period of not less than one year immediately preceding the date of their application for admission and who are one of the following: a) <u>Managers - persons</u> within an organization who primarily direct the organization, or a department or sub-division of the organization, supervise and control the work of other supervisory,	(4) Unbound except for the measures affecting the presence of natural persons in the territory of Kyrgyz Republic (KR) - for CIS citizens no entry visa is required. Citizens from other countries are required to obtain entry visas (except the countries with which the Kyrgyz Republic has agreements on entrance without visas).	

Sector or subsector	Limitations on market access	Limitations on national treatment	Additional commitments
	professional or managerial employees, have the authority to hire and fire or recommend hiring, firing, or other personnel actions (such as promotion or leave authorisation), and exercise discretionary authority over day-to-day operations. Does not include first-line supervisors, unless the employees supervised are professionals, nor does it include employees who primarily perform tasks necessary for the provision of the service. b) Executives - persons within the organization who primarily direct the management of the organization, establish the goals and policies of the organization, exercise wide latitude in decision-making, and receive only general supervision or direction from higher-level executives, the board of directors, or stockholders of the business. Executives would not directly perform tasks related to the actual provision of a service or services of the organization. c) Specialists - persons within an organization who possess knowledge at an advanced level of continued expertise and who possess proprietary knowledge of the organization’s services, research, techniques, or management. (Specialists may include, but are not limited to, members of licensed professions.) d) Persons responsible for the setting up of a commercial presence. e) Persons as employees of an enterprise engaged in substantive business in the Kyrgyz Republic without having commercial presence in the Kyrgyz		

Sector or subsector	Limitations on market access	Limitations on national treatment	Additional commitments
	Republic who provide a service as a professional of a service sector. Entry for persons named in this section is limited to a three-year period that may be extended for up to two additional years for a total term not to exceed five years.		
II. Commitments in specific sectors			
I. business services			
A. Professional services			
a) Legal services (CPC 861) 1. Legal service: home country law and public international law (excluding Kyrgyz Law)	(1) None (2) None (3) None (4) Unbound except as indicated under horizontal commitments.	(1) None (2) None (3) None (4) Unbound except as indicated under horizontal commitments.	
2. Legal services: practice as or though a qualified Kyrgyz lawyer	(1) None (2) None (3)Advocate services may be provided only by the KR citizens. Only an advocate has the right to provide legal services in connection with criminal matters. (4)Unbound except as indicated under horizontal commitments.	(1) None (2) None (3) Unbound (4) Unbound except as indicated under horizontal commitments.	
b) Accounting, Auditing and Bookkeeping services (CPC 862) c) Taxation services (CPC 863)	(1)None (2)None (3)None (4)Unbound except as indicated under horizontal commitments.	(1) None (2) None (3) None (4) Unbound except as indicated under horizontal commitments.	
d) Architectural services (CPC 8671) e) Engineering services (CPC 8672) g) Urban planning and landscape architectural services (CPC 8674)	1) None (2) None (3) None (4) Unbound except as indicated under horizontal commitments.	(1) None (2) None (3) None (4) Unbound except as indicated under horizontal commitments.	
h) Medical and dental services (CPC 9312) i) Veterinary services (CPC 932) j) Services provided by midwives, nurses,	(1) None (2) None (3) Unbound	(1) None (2) None (3) Unbound	

Sector or subsector	Limitations on market access	Limitations on national treatment	Additional commitments
physiotherapists and para- medical personnel (CPC 93191)	(4) Unbound except as indicated under horizontal commitments.	(4) Unbound except as indicated under horizontal commitments.	
K) SERVICES IN THE SPHERE OF INDUSTRIAL PROPERTY	(1) None (2) None (3) Unbound (4) Only a citizen of the Kyrgyz Republic, who is permanently residing in the Kyrgyz Republic, has the right to provide services (in the sphere of industrial property) as a patent agent.	(1) None (2) None (3) Unbound (4) Only a citizen of the Kyrgyz Republic, who is permanently residing in the Kyrgyz Republic, has the right to provide services (in the sphere of industrial property) as a patent agent.	
B. Computer and related services (CPC 841-845, 849)	(1) None (2) None (3) None (4) Unbound except as indicated under horizontal commitments.	(1) None (2) None (3) None (4) Unbound except as indicated under horizontal commitments.	
C. Research and development services (CPC 851-853)	(1) None (2) None (3) None (4) Unbound except as indicated under horizontal commitments.	(1) None (2) None (3) None (4) Unbound except as indicated under horizontal commitments.	
D. Real estate services			
a) Involving own or leased property (CPC 821) b) On a fee or contract basis (CPC 822)	(1) None (2) None (3) Unbound (4) Unbound except as indicated under horizontal commitments.	(1) None (2) None (3) Unbound (4) Unbound except as indicated under horizontal commitments.	
E. Rental/leasing services without operators and with operators (CPC 83101-83109, 832)	(1) None (2) None (3) None (4) Unbound except as indicated under horizontal commitments.	(1) None (2) None (3) None (4) Unbound except as indicated under horizontal commitments.	
F. Other business services			
a) advertising services (CPC 871) c) Management consulting services (CPC 865, 866) e) Technikal testing and analysis services (CPC 8676)	(1) None (2) None (3) None (4) Unbound except as indicated under horizontal commitments.	(1) None (2) None (3) None (4) Unbound except as indicated under horizontal commitments.	
f) Services incidental to agriculture, hunting and forestry (CPC 881)	(1) None (2) None (3) None (4) Unbound except as indicated under horizontal commitments.	(1) None (2) None (3) None (4) Unbound except as indicated under horizontal commitments.	
g) Services incidental to fishing (CPC 882)	(1) None	(1) None	

Sector or subsector	Limitations on market access	Limitations on national treatment	Additional commitments
	(2) None (3) Unbound (4) Unbound except as indicated under horizontal commitments.	(2) None (3) Unbound (4) Unbound except as indicated under horizontal commitments.	
h) Services incidental to mining (CPC 883, 5115) i) Services incidental to manufacturing (CPC 884, 885, except for 88442)	(1) None (2) None (3) None (4) Unbound except as indicated under horizontal commitments.	(1) None (2) None (3) None (4) Unbound except as indicated under horizontal commitments.	
j) Services incidental to energy distribution (CPC 887)	(1) Unbound (2) Unbound (3) None, except for services on distribution of electric energy (4) Unbound except as indicated under horizontal commitments.	(1) Unbound (2) Unbound (3) None, except for services on distribution of electric energy (4) Unbound except as indicated under horizontal commitments.	
m) Scientific and technical consulting services **(CPC 8675)** **n) Maintenance and repair of equipment (not including maritime vessels, aircraft or other transport equipment)** (CPC 633, 8861-8866) r) Printing, publishing (CPC 88442) s) Convention services (CPC 87909*) t) Market research and public opinion monitoring services	(1) None (2) None (3) None (4) Unbound except as indicated under horizontal commitments.	(1) None (2) None (3) None (4) Unbound except as indicated under horizontal commitments.	
2. communication services			
A. Postal services (CPC 7511)	(1) Unbound (2) None (3) Unbound (4) Unbound except as indicated under horizontal commitments.	(1) Unbound (2) None (3) Unbound (4) Unbound except as indicated under horizontal commitments.	
B. Courier services (CPC 7512)	(1) None (2) None (3) None (4) Unbound except as indicated under horizontal commitments.	(1) None (2) None (3) None (4) Unbound except as indicated under horizontal commitments.	
C. Telecommunication services: **Basic and Enhanced Telecommuication Servies**[54]			The Kyrgyz Republic undertakes additional commitments as contained in the attachment, all parts of which are equally binding.

[54] Commitments undertaken in this section are in accordance with the Notes by the Chairman S/GBT/W/2/Rev.1 and S/GBT/W/3.

Sector or subsector	Limitations on market access	Limitations on national treatment	Additional commitments
(a) Voice telephone services (CPC 7521) **(d) Telex services (CPC 7523**)** **(e) Telegraph services (CPC 7522)** **(g) Private leased circuit services (CPC 7522**, 7523**)**	(1) None, except for international and long distance communication, where none as from 1 January 2003. (2) None (3) None, except for international and long distance communication, where none as from 1 Januaryr 2003. (4) Unbound except as indicated under horizontal commitments.	(1) None (2) None (3) None (4) Unbound except as indicated under horizontal commitments.	
(b) Paket-switched data transmission services **(CPC 7523**)** **(c) Circuit-switched data transmission services** **(CPC 7523)** **(f) Facsimile services (CPC 7521**, 7529**)** **(h) Electronic mail (CPC 7523**)** **(i) Voice mail (CPC 7523**)** **(j) On-line information and data base retrieval (CPC 7523**)** **(k) electronic data interchange (EDI) (CPC 7523**)** **(l) enhanced/value added facsimile services, include. store and forward, store and retrieve (CPC 7523**)** **(m) code and protocol conversion** **(n) on-line information and/or data (CPC 843**)** **(o) other**	(1) None (2) None (3) None (4) Unbound except as indicated under horizontal commitments.	(1) None (2) None (3) None (4) Unbound except as indicated under horizontal commitments	
D. Audiovisual services			
a) Motion picture and video tape production and distribution services (CPC 9611) b) Motion picture projection service (CPC 9612) c) Radio and television services (CPC 9613) e) Sound recording d) Radio and television transmission services (CPC 7524)	(1) None (2) None (3) None (4) Unbound except as indicated under horizontal commitments.	(1) None (2) None (3) None (4) Unbound except as indicated under horizontal commitments.	
3. Construction and related engineering services (CPC 511-518)	(1) None (2) None (3) None (4) Unbound except as indicated under horizontal commitments.	(1) None (2) None (3) None (4) Unbound except as indicated under horizontal commitments.	

Sector or subsector	Limitations on market access	Limitations on national treatment	Additional commitments
4. DISRIBUTION SERVICES			
A. Commission agents' services (CPC 621) **B. Wholesale trade (except wholesale trade of alcoholic beverages, tobacco, firearms, pharmaceuticals) (CPC 622)** **C. Retailing services (except for alcoholic beverages and tobacco) (CPC 631, 632, 6111, 6113, 6121)** **D. Franchising (CPC 8929)**	(1) None (2) None (3) None (4) Unbound except as indicated under horizontal commitments.	(1) None (2) None (3) None (4) Unbound except as indicated under horizontal commitments.	
5. education services			
A. Primary education services (CPC 921)	(1) None, except for on primary education services funded from State sources. (2) None (3) None, exceptfor on primary education services funded from State sources. (4) Unbound except as indicated under horizontal commitments.	(1) None, except for on primary education services funded from State sources. (2) None (3) None (4) Unbound except as indicated under horizontal commitments.	
B. Secondary education services (CPC 922)	(1) None, except for on secondary education services funded from State sources. (2) None (3) None, except for on secondary education services funded from State sources. (4) Unbound except as indicated under horizontal commitments.	(1) None, except for on secondary education services funded from State sources. (2) None (3) None (4) Unbound except as indicated under horizontal commitments.	
C. Higher education services (CPC 923)	(1) None, except for on higher education services funded from State sources. (2) None (3) None, except for on higher education services funded from State sources. (4) Unbound except as indicated under horizontal commitments.	(1) None, except for on higher education services funded from State sources. (2) None (3) None (4) Unbound except as indicated under horizontal commitments.	
D. Adult education (CPC 924)	(1) None, except for on adult education services funded from State sources. (2) None (3) None, except for on adult education services funded from State sources. (4) Unbound except as indicated under horizontal commitments.	(1) None, except for on adult education services funded from State sources. (2) None (3) None. (4) Unbound except as indicated under horizontal commitments.	
6. environmental services			
(A). Sewage services (CPC 9401) (B) Refuse disposal services (CPC 9402)	(1) None (2) None	(1) None (2) None	

Sector or subsector	Limitations on market access	Limitations on national treatment	Additional commitments
(C) Sanitation and similar services (CPC 9403) (D) Other	(3) None (4) Unbound except as indicated under horizontal commitments.	(3) None (4) Unbound except as indicated under horizontal commitments.	
7. financial services			
A. All insurance and insurance related services. **(CPC 812**)** **a) Life, accident and health insurance services (CPC 8121)** **b) Non-life insurance services (CPC 8129)** **c) Reinsurance and retrocession (CPC 81299*)** **d) Services auxiliary to insurance (including broking and agency services) (CPC 8140)**	(1). Unbound, except for insurance of cargo transportation, brokerage and reinsurance. (2) None (3) None, except for Foreign ownership in Kyrgyz legal entities providing insurance services must not exceed 49%. This restriction will be eliminated by 1 January 2002 (4) Unbound except as indicated under horizontal commitments.	(1) None (2) None (3) None (4) Unbound except as indicated under horizontal commitments.	
B. Banking and other financial services (excluding insurance) **(a) Acceptance of deposits and other repayable funds from the public (CPC 81115-81119)** **(b) Lending of all types, include., inter alia, consumer credit, mortgage credit , factoring and financing of commercial transaction (CPC 8113)** **(c) Financial leasing (CPC 8112)** **(d) All payment and money transmission services (CPC 81339**)** **(e) Guarantees and commitments (CPC 81199**)** **(f) Trading for own account or for account of customers, whether on an exchange, in an over-the-counter market or otherwise, the following:** **- money market instruments (cheques, bills, certificate of deposits, etc.) (CPC 81339**)** **-foreign exchange (CPC 81333)** **-derivative products include., but not limited to, futures and options (CPC 81339**)** **-exchange rate and interest rate instruments, incl. products such as swaps,**	(1) None (2) None (3) None (4) Unbound except as indicated under horizontal commitments	(1) None (2) None (3) None, except for The minimum capital requirement for banks with less than 20% foreign participation is half that required for banks with more than 20% foreign participation. This distinction will be eliminated by 31 December 2002. (4) Unbound except as indicated under horizontal commitments.	

Sector or subsector	Limitations on market access	Limitations on national treatment	Additional commitments
forward rate agreements, etc. **(CPC 81339**)** **-transferable securities (CPC 81321*)** **- other negotiable instruments and financial assets, include. Bullion (CPC 81339**)** **(g) Participation in issues of all kinds of securities, include. Under-writing and placement as agent (whether publicly or privat ely) and provision of service related to such issues (CPC 8132)** **(h) Money broking (CPC 81339**)** **(i) Asset management, such as cash or portfolio management , all forms of collective investment management, <u>pension fund management</u>, custodial depositary and trust services** **(CPC 8119**, 81323*)** **(j). Settlement and clearing services for financial assets, include. Securities, derivative products, and other negotiable instruments (CPC 81339** or 81319**)** **(k) Advisory and other auxiliary financial services on all the activities listed in Article 1B of MTN.TNC/W/50, incl. credit reference and analysis, investment and portfolio research and advice, advice on acquisitions and on corporate restructuring and strategy (CPC 8131 or 8133)** **(l). Provision and transfer of financial information, and financial data processing and related software by providers of other financial services (CPC 8131)**			
8. HEALTH related and social services (other than those listed under I. A. H-J.) (CPC 9311, 9319 other than 93191, 933)	(1) None (2) None (3) None (4) Unbound except as indicated under horizontal commitments.	(1) None (2) None (3) None (4) Unbound except as indicated under horizontal commitments.	

9. tourism AND TRAVEL related services (A) Hotels and restaurants (incl-catering) (CPC 641-643) (B) Travel agencies and tour operators services (CPC 7471) (C) Tourist guides services (CPC 7472) (D) Other	(1) None (2) None (3) None (4) Unbound except as indicated under horizontal commitments.	(1) None (2) None (3) None (4) Unbound except as indicated under horizontal commitments.	
10. recreational, cultural and sporting services (OTHER THAN audiovisual services) **(CPC 9619, 962-964)**	(1) None (2) None (3) None (4) Unbound except as indicated under horizontal commitments.	(1) None (2) None (3) None (4) Unbound except as indicated under horizontal commitments.	
11. transport services			
A. Maritime transport services **(CPC 7211-7214, 745**, 8868**)**	(1) None (2) None (3) None (4) Unbound except as indicated under horizontal commitments.	(1) None (2) None (3) None (4) Unbound except as indicated under horizontal commitments.	
C. Air transport services (except maintenance and repair of aircraft) **(CPC 731, 732, 734, 746)**	(1) Foreign air transport companies are not permitted to provide domestic air transportation services (2) Unbound (3) Unbound (4) Unbound except as indicated under horizontal commitments.	(1) Unbound (2) Unbound (3) Unbound (4) Unbound except as indicated under horizontal commitments.	
d) Maintenance and repair of aircraft (CPC 8868)**	(1) None (2) None (3) None except Foreign ownership interest in Kyrgyz legal entities providing such services can not exceed 49% This restriction will be remove before 2005 (4) Unbound except as indicated under horizontal commitments.	(1) None (2) None (3) None (4) Unbound except as indicated under horizontal commitments.	
E. Rail transport services **(CPC 7111-7113, 8868**, 743)**	(1) None (2) None (3) None (4) Unbound except as indicated under horizontal commitments.	(1) None (2) None (3) None (4) Unbound except as indicated under horizontal commitments.	
F. Road transport services **(CPC 7121-7124, 6112, 8867, 744)**	(1) None (2) None (3) None (4) Unbound except as indicated under horizontal commitments.	(1) None (2) None (3) None (4) Unbound except as indicated under horizontal commitments.	
G. Pipeline transport (CPC 7131, 7139)	(1) None	(1) None	

Sector or subsector	Limitations on market access	Limitations on national treatment	Additional commitments
	(2) None (3) None (4) Unbound except as indicated under horizontal commitments.	(2) None (3) None (4) Unbound except as indicated under horizontal commitments.	
H. Services auxiliary to all modes of transport **(CPC 741, 742, 748)**	(1) None (2) None (3) None (4) Unbound except as indicated under horizontal commitments.	(1) None (2) None (3) None (4) Unbound except as indicated under horizontal commitments.	
d) Services on transport tickets reservation by means of computers (CPC 749)	(1) None (2) None (3) None (4) Unbound except as indicated under horizontal commitments.	(1) None (2) None (3) None (4) Unbound except as indicated under horizontal commitments.	

The (*) indicates that the service specified is a component of a more aggregated CPC item specified elsewhere in this classification list.
The (**) indicates that the service specified constitutes only a part of the total range of activities covered by the CPC concordance (e.g. voice mail is only a component of CPC item

Annex 5. NSPR Workshop Programmes and List of Participants

First National Stakeholder Workshop on Services

12-13 November 2008
Hyatt Regency Hotel – Bishkek, Kyrgyzstan

Day 1	
Time	**Session**
9.00 – 9.30	**Participant registration**
9.30 – 10.30	**Session I: Opening and Introduction** This session will introduce the DFID-funded National Services Policy Review (NSPR) project of Kyrgyzstan and its focus on tourism and energy services and the relevance of the project within the context of national development objectives and ongoing regional and multilateral trade negotiations. The opening will set out the project's scope, purpose and intended outcome, and open the floor for discussion on the approach and methodology to be followed. Opening Statements: – Mr Sanjar Mukanbetov, Deputy Minister of Economic Development and Trade of the Kyrgyz Republic (MEDT) – Mr Muktar Djumaliev, Ambassador and Permanent Representative, Permanent Mission of Kyrgyzstan to the United Nations, Geneva, Switzerland – Mr. Akbar Djigitov, Permanent Secretary of State Agency for Tourism under Government of the Kyrgyz Republic – Mr Robert Hamwey, UNCTAD
10.30-11.00	**Coffee Break**
11.00 – 13.00	**Session II : Kyrgyzstan's Services Economy: Prospects and Challenges** Based on economic and market analysis, and taking into account national development objectives, this session will present its preliminary appreciation of issues and options for Kyrgyzstan's services sector. The aim of discussions is to identify overall challenges and opportunities for Kyrgyzstan's services sector, and make related suggestions for Kyrgyzstan's NSPR Project *Chair and introducer:* Ms Anarkan Rahmanova, Head, Department of Trade Policy, MEDT *Presentations:* – Mr. Robert Hamwey, Deepali Fernandes UNCTAD – Mr. K. Turdubaev, Deputy Director of State Department for Energy-Fuel Complex under Ministry of Industry, Energy and Fuel Resources – Mr. Ularbek Mateev - independent expert on the energy sector *Interactive discussion encouraging comments and views of stakeholders*
13.00-14.00	**Lunch**
14.00-15.00	**Session III : Energy Services - Overview** This session will provide an overview of the economic, development and regulatory

	issues of the energy services sector. The aim of discussions is to identify specific challenges and opportunities for the energy services sector, and make related suggestions for Kyrgyzstan's NSPR Project *Chair and introducer:* Ms Anarkan Rahmanova, Head, Department of Trade Policy, MEDT *Presentation:* – Ms Deepali Fernandes, UNCTAD – Mr Kubat Murzaev, "Investment Policy of the Kyrgyz Republic", MEDT – Mrs. Jypara Aibasheva "Trade Policy for economy sectors: energy and tourism" - independent expert on trade issues *Interactive discussion encouraging comments and views of stakeholders*
15.00-16.30	**Session IV: Energy Services – Export opportunities and supply capacity** This session will examine export opportunities in the hydroelectric power market, with emphasis on approaches towards boosting supply capacity. *Chair and introducer:* Ms Anarkan Rahmanova, Head, Department of Trade Policy, MEDT *Presentation:* – Mr Kutbidin Nagimidinov, "Electric power market capacities", Head of Division of Export of Energy and Marketing, OJSC "Electric stations" – Mr Omurbek Karatalov, "Potentials of increasing energy services", Young Entrepreneurs Association – Mr Albert Lee, "Perspectives of development of small and medium hydro power and export capacities of small hydro power industries", Directorate of Small and Medium Hydro Power Project in the Kyrgyz Republic *Interactive discussion encouraging comments and views of stakeholders*

Day 2	
Time	**Session**
9.00-10.00	**Session V : Tourism Services – Overview** This session will provide an overview of the economic, development and regulatory issues for the tourism services sector. The aim of discussions is to identify general challenges and opportunities for tourism services sector, and make related suggestions for Kyrgyzstan's NSPR Project *Chair and introducer:* Ms Anarkan Rahmanova, Head, Department of Trade Policy, MEDT *Presentations:* – Mr Robert Hamwey, UNCTAD – Ms Kamila Sottaeva, "Review of the development issues of tourism services sector in the Kyrgyz Republic, State Agency for Tourism *Interactive discussion encouraging comments and views of stakeholders*

10.00-11.00	**Session VI : Tourism Services – Building linkages, reducing leakage** This session will examine plans for building adequate infrastructure, strengthening domestic tourism industry supply chains and reducing leakages of the sector. *Chair and introducer:* Ms Anarkan Rahmanova, Head, Department of Trade Policy, MEDT *Presentations:* – Robert Hamwey, UNCTAD – Mr Temir Burgubaev, "Tourism, challenges and inter-sectoral linkages" – independent expert on economy, *Interactive discussion encouraging comments and views of stakeholders*
11.00-11.30	**Coffee Break**
11.30-13.00	**Session VII : Tourism Services – Themes for the future** Future themes for expanding Kyrgyzstan's tourism sector will be discussed, with the aim of identifying those which can contribute to broad-based economic development at the national and local levels while generating pro-poor and sustainable development benefits. *Chair and introducer:* Mr Temir Burgubaev – independent expert on economy *Presentations:* – Mr Robert Hamwey, UNCTAD – Mr Kylychbek Jundubaev, "Specially protected natural areas and forest ecosystems as a subject of sustainable development of Ecotourism", State Agency for Environmental Protection and Forestry under Government of the Kyrgyz Republic – Mr Vladimir Bogolubov, Extreme Tourism & Mountaineering Centre – TDB, Kyrgyz Community Based Tourism Association (KATOS) – Mr Melis Madybaev , Kyrgyz Scientific-Research Institute for Health Resort Treatment and Medical Rehabilitation, Ministry of Health *Interactive discussion encouraging comments and views of stakeholders*
13.00 – 14.00	**Lunch**

14.00 – 16.00	**Session VIII : Regulations and Institutions. Considerations in WTO, bilateral and regional trade agreements: Kyrgyzstan's experience** This session will provide an overview of the findings of UNCTAD expert meetings on regulatory and institutional issues for the services sector, including in terms of best practices, lessons and sector specific issues. The development of service trade in the world and its growing importance in Bilateral and Multilateral field. *Chair and introducer:* Ms Anarkan Rahmanova, Head, Department of Trade Policy, MEDT *Presentation:* - Ms Deepali Fernandes, UNCTAD - Mr Muktar Djumaliev, Ambassador and Permanent Representative, Permanent Mission of Kyrgyzstan to the United Nations, Geneva, Switzerland - Ms Anarkan Rahmanova, Head, Department of Trade Policy, MEDT *Interactive Discussions, comments and views of stakeholders*
16.00 – 16.30	**Session IX : Next Steps for the Kyrgyzstan's NSPR Project** - Mr Robert Hamwey, UNCTAD - Ms Deepali Fernandes, UNCTAD *Interactive Discussions, comments and views of stakeholders*
16.30	**Conclusions**

Second National Stakeholder Workshop on Services

30 September – 01 October 2009
Ministry of Economic Development and Trade, Bishkek, Kyrgyzstan

30 September, DAY 1	
Time	**Session**
09:30	Registration
10:00	**<u>Session I: Opening statements</u>**
	Opening statement of Mr. Kurmanbek Ukulov, Deputy Minister of Economic Development and Trade of the Kyrgyz Republic (MEDT)
	Opening statement of UNCTAD
	Opening statement of DFID representative
	Moderator and commentator: Ms Anarkan Rahmanova, MEDT
10:30	The role of Services Sector in the economy of the Kyrgyz Republic Ms Jipara Aibasheva
10:45	Impact of the economic crisis on the energy and tourism services sectors Ms Deepali Fernandes, UNCTAD
11:00	Coffee-break
	<u>Session II: National Experts' presentations on the NSPR study</u>
11.15	Introduction by Ms Anarkan Rahmanova, MEDT
11:30	Current state of energy services sector in Kyrgyzstan and ways forward Mr Ularbek Mateev
12:15	The role and effectiveness of tourist services sector in the national economy and ways forward Mr Temir Burjubaev
13:00	Lunch
(parallel sessions)	**<u>Session III: Working Group discussions with the participants</u>**
14:30 – 17:00	<u>Group 1.</u> (Led by Mr Ularbek Mateev) Energy sector of the Kyrgyz Republic
14:30 – 17:00	<u>Group 2.</u> (Led by Mr Temir Burjubaev) Tourism sector of the Kyrgyz Republic
1 October, DAY 2	
	<u>Session IV : Presentation of Working Groups' resolutions</u>
09:30	Presentations by Working Group Chairs
10:30	Perspectives of UNCTAD representatives
11:00	Coffee-break
11:30	Perspectives of MEDT representatives
12:00-13:00	General discussion of ways forward; elaboration of action plan
13:00-15:00	Lunch break followed by individual meetings

List of Participants

Предварительный список участников Национального семинара по услугам

№п/п	ФИО участника	Должность
1.	Боотаев Туркмен Еркинбаевич	Начальник управления организации таможенных платежей Государственного таможенного комитета Кыргызской Республики (ГТК)
2.	Байбачаев Эркин Адылбекович	Заместитель начальника энергетической таможни ГТК
3.	Чукин Аскар Арипович	Президент Ассоциации таможенных брокеров
4.	Саяпина Ирина Юрьевна	Заместитель Президента Ассоциации таможенных брокеров
5.	Кемелова Динара Амантуровна **(13 ноября)**	Зам. директора Департамента международного экономического сотрудничества Министерства иностранных дел КР (МИД) – **Выступающий**
6.	Суюмбаева К.	Второй секретарь Департамента МЭС МИД
7.	Токбаева Аяна	Первый секретарь Департамента международного экономического сотрудничества МИД
8.	Бекболотов Руслан	Департамент консульской службы МИД
9.	Нажимидинов Кутбидин	Начальник отдела экспорта энергии ОАО «Электрические станции»
10.	Абдылдаева Т.К.	заведующая отделом статистики потребительского рынка и услуг Национального статистического комитета КР(Нацстатком)
11.	Койчуманова К.Д.	заведующая отделом социальной статистики Нацстатком
12.	Абдрахманова Ч.С.	заведующая отделом статистики промышленности и инноваций Нацстатком
13.	Карымшакова Гульмира Бексултановна	начальник отдела разработки обучающих программ для населения и стандартов качества, услуг в гостинично-туристской сфере Государственного агентства по туризму при Правительстве Кыргызской Республики
14.	Соттаева Камила Эдуардовна	Главный специалист Отдела экономики и прогнозирования развития отрасли туризма Государственного агентства по туризму при Правительстве Кыргызской Республики (**Докладчик в 3-ей Сессии**)
15.	Боголюбов Владимир Владимирович	Директор Федерации экстремального туризма и альпинизма **(Докладчик в 4-й, 5-ой сессиях)**
16.	Таранова Елена Павловна	Главный специалист отдела аграрной политики и стратегических исследований Министерства сельского, водного хозяйства и перерабатывающей промышленности Кыргызской Республики (МСВХПП)
17.	Уразбекова Ю.У.	Главный специалист отдела мониторинга, прогнозирования и сбыта продукции переработки МСВХПП
18.	Жундубаев К.	Начальник отдела сохранения биоразнообразия, ООПТ, экообразования и пресс-служба (**Выступающий**) Госагентство по охране окружающей среды и лесному хозяйству при Правительстве Кыргызской Республики (ГАООСЛХ при ПКР)
19.	Узгенов А.	Начальник отдела мониторинга леса и совместного управления лесами ГАООСЛХ при ПКР
20.	Джузенбаев С.Ж.	заместитель Директора Биосферной Территории «Ыссыккуль» ГАООСЛХ при ПКР
21.	Криворучко С.	Ведущий специалист Управления экологической стратегии и политики ГАООСЛХ при ПКР
22.	Садырбаева Р.Э. **(12 ноября)**	ведущий специалист отдела финансирования инфраструктуры Министерства финансов Кыргызской Республики
23.	Ли Г.П. (**13 ноября**)	главный специалист отдела финансирования инфраструктуры Министерства финансов Кыргызской Республики
24.	Борубаева Г.Р.	ведущий специалист отдела финансирования инфраструктуры Министерства финансов Кыргызской Республики
25.	Шабданалиев Темирбек Мусаевич	Председатель Ассоциации перевозчиков Кыргызстана
26.	Турдалы уулу Жаныбек	заведующий отделом автомобильного и водного транспорта

		Управления транспорта Министерства транспорта и коммуникаций КР
27.	Алиев Эмиль Турдугулович	заместитель директора Дирекции проекта по малой и средней энергетике в Кыргызской Республике
28.	Ли Альберт Анатольевич	руководитель департамента экономики и сбыта Дирекции проекта по малой и средней энергетике в КР
29.	Молдоташев И.К.	Директор Кыргызского научного-исследовательского института курортологии и восстановительного лечения (КНИИКиВЛ) Министерства здравоохранения Кыргызской Республики
30.	Мадыбаев М.Ж.	заместитель по курортному делу КНИИКиВЛ
31.	Караталов О.К.	профессор Кыргызско-Российского Славянского Университета
32.	Абдраев Э.К.	директор фирмы «Адал Туризм»
33.	Дуйшенов А.Т.	Ответственный секретарь «Ассоциации молодых предпринимателей»
34.		Союз Предпринимателей Кыргызстана
35.		Министерство промышленности, энергетики и топливных ресурсов Кыргызской Республики
36.		Кыргызская Ассоциация туроператоров (КАТО)
37.		АО «НЭС ОАО Кыргызстана»
38.		АО «Северэлектро»
39.		ПРООН (UNDP)
40.		ЮСАИД (USAID)
41.		Германское общество по техническому сотрудничеству (GTZ)
42.		Международный торговый центр (ITC)