

CHAPTER 5

FOREIGN ECONOMIC RELATIONS

In 2004 the National Bank of the Kyrgyz Republic actively cooperated with various international organizations, as well as with the central banks of the CIS countries and foreign countries. Cooperation of the National Bank with the Central Banks was carried out both on bilateral and on multilateral basis within the framework of the Commonwealth of Independent States, Eurasian Economic Community and Regional Group on Banking Supervision of the countries of Trans Caucasian and Central Asia countries.

5.1. Cooperation with international organizations

In 2004 the National Bank of the Kyrgyz Republic continued cooperation with the following international financial organizations: the International Monetary Fund, the World Bank, the Asian Development Bank; and with a number of other international organizations.

Cooperation of the National Bank with the International Monetary Fund was carried out on the following main areas:

- Implementation of actions under the Poverty Reduction and Economic Growth Facility (PRGF Program);
- Enhancement of statistics;
- Development of actions on banking system development and modernization of monetary policy tools;
- Payment system reform.

Completion of the next three-year IMF program under the PRGF become one of the very important events of 2004, which, according to both parties, was remarkable for quality improvement of the implemented economic policy.

In February 2004 the Kyrgyz Republic joined the SDDS - Special Data Dissemination Standard. The SDDS requirements were implemented by updating the statistical data on monthly and quarterly bases as well as by informing the wide public in framework of general (GDDS) and special (SDDS) standards of data dissemination on the major macroeconomic indicators in the monetary sphere through mass media and by placing information on the website of the National Bank.

In 2004 cooperation of the National Bank with the IMF was continued on the following issues: enhancement of laws and regulations; inflation forecasting; drawing up of the balance of payments; payment system reform, etc. So, in April - May 2004 the technical mission of the IMF Statistical Department rendered the consultative assistance to the National Bank of the Kyrgyz Republic and to the National Statistic Committee on the issues of monetary and financial statistics. With a view of improving the quality of statistical data and expanding the volume of duly, complete and accessible information the actions were developed to promote the

implementation of the well-grounded macroeconomic policy. Implementation of actions on enhancing the monetary and financial statistics will be continued in 2005.

The IMF mission highlighted the significant progress achieved in drawing up of the balance of payments statistics. It gave recommendations on further enhancement of the above statistics.

In November the issues of improvement of public relations of the National Bank were discussed with the IMF for the purpose of increasing transparency of the Bank's activity and relevant strategy development.

The results of the carried out actions related to the payment system were reviewed by the IMF mission. Besides, the organizational actions required for coordination of activity of the external participants of the project including ministries and other governmental bodies; commercial banks; public utilities companies; and Postal Service were discussed. The mission gave recommendations for necessity of customs payments and taxes through the accounts in commercial banks with a view of growth of a number of non-cash payments and development of a network of banking institutions, reduction of the services fee and providing population with access to bank services in all regions of the Republic.

During the year the bank continued cooperation with the Regional IMF Project on Public Debt Management in Central Asia and Azerbaijan on the issues of enhancement of external debt statistics and external debt management with a view of obtaining of its sustainability.

Cooperation with the World Bank in the area of the payment system reform was continued. Within the framework of actions on implementation of the "Modernization of payment and banking systems of the Kyrgyz Republic" project the Loan Agreement for this project was signed by the Kyrgyz Republic and by the International Development Association in June 2004.

In 2004 the technical assistance project of the Asian Development Bank on preparation of the "Financial Sector Reform - 2" program supported by the grant provided to the Kyrgyz Republic was completed. Within the framework of this project the National Bank was provided with consultative assistance on the issues of strengthening of supervision and regulation of commercial banks, development of concept and legislative base for further consolidation of the banking system and other issues.

In 2004 implementation of the Asian Development Bank Project "Rural Financial Institutions" credit unions development support was continued. The total disbursement under this credit was \$ 7.0 million, including \$ 1.7 million for the reporting period.

Within the year the National Bank representatives took part in the work of conferences and seminars organized in the city of Bishkek with support of international financial institutions.

The National Bank jointly with European Bank of Reconstruction and Development and with the State Secretariat for Economic Affairs of Switzerland (SECO) arranged the international

conference devoted to the "Measures on increasing the confidence to the banking system" in July 2004 in the city of Bishkek. The given conference was carried out with the purpose of economic reforms experience sharing, bank sector reforms in the CIS countries, and in Central and East Europe and discussing measures on increasing the confidence to the banking sector. Representatives of the Administration of the President of the Kyrgyz Republic had taken part in the work of the conference along with representatives of the Jogorku Kenesh, the Government, judicial bodies, commercial banks of the Republic, international financial organizations, and central (national) and commercial banks of the foreign countries.

The National Bank of the Kyrgyz Republic jointly with the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) carried out the seminar devoted to the issue of external debt management in the conditions of globalization strengthening in October 2004 within the Project of Foreign Debt Administration in the conditions of globalization.

The National Bank of the Kyrgyz Republic within its competence monitored the implementation of the General Agreement on Trade of Services (GATS) and of the Article XV of the General Agreement on Tariffs and Trade (GATT) within the framework of the WTO. Representatives of the National Bank took part in the meetings of the Interdepartmental Commission under the Government of the Kyrgyz Republic on the WTO issues.

5.2. Cooperation with Central Banks

Cooperation of the National Bank with the central banks of the CIS countries and with foreign countries on the issues of monetary policy, banking supervision, improvement of legislative and normative and legal base, development of the payment systems, providing of technical and consultative assistance, training of the staff and information exchange was continued. In particular, cooperation with the central banks of Germany, China, Switzerland and France was carried out.

In September 2004 the management of the National Bank of the Kyrgyz Republic visited Germany. During the visit the issues of further cooperation of the NBKR and the Deutsche Bundesbank were discussed. Resulting from the visit the Memorandum of Understanding was signed in the field of technical cooperation between the two banks.

Jointly with the National Bank of China (NBC) the joint plan of activities was developed for basic areas of cooperation of the central banks of the two countries. Basic provisions of the Plan include a bilateral exchange of experience, carrying out seminars on priority issues of development of the banking system of the Kyrgyz Republic for providing an opportunity to study the experience of the National Bank of China.

During the visit of the Chinese People's Republic State Council Prime Minister to the Kyrgyz Republic on October 21, 2004 the Chairmen of the National Bank of the Kyrgyz Republic and the Commission on Banking Regulation in China (CBRC) signed the "Agreement on cooperation in area of banking supervision". The Agreement provides main directions of cooperation, which lays down the ground for cooperation in the area of banking supervision of the two countries.

During 2004 the National Bank of Switzerland provided consultative assistance on the issues of the activity of the bank and conducted training seminars on effective management.

The Bank of France continued to carry out the field seminars. In June 2004 a number of seminars carried out by the Bank of France took place at the Bank's Training Center in the city of Bishkek.

Cooperation with the central banks of foreign countries was continued within the framework of the Regional Group for Banking Supervision of Trans Caucasian, Central Asia countries and Russian Federation. In June, 2004 the National Bank jointly with the International Settlement Bank and Asian Development Bank organized the international seminar "Credit Risks Management" for the countries - members of the Regional Group. Representatives of the central (national) banks and national supervising bodies of Azerbaijan, Georgia, Russia, Kazakhstan, Kyrgyzstan and Tajikistan participated in the work of the seminar.

The National Bank of the Kyrgyz Republic took part in the work of the XIV Conference of the Regional Group for Banking

Supervision of the countries of Trans Caucasian, Central Asian countries and Russian Federation in Saint Petersburg.

The National Bank of the Kyrgyz Republic continued activity directed on further development of economic integration, harmonization and liberalization of the foreign exchange regimes of the countries participants to CIS and Eurasian Economic Cooperation.

Within the reporting year the employees of the Bank took part in the exchange programs and in professional development training courses within the framework of cooperation with the central banks of England, France, Germany, Italy, Switzerland, and Japan. In the reporting year the employees of the Bank participated in the seminars and training courses at the central banks of Denmark, Holland, Poland, Czech Republic and Chinese People's Republic.

Cooperation of the National Bank with the central banks of the CIS countries was continued within the framework of activity of the integration institutes. The National Bank representatives participated in the meetings of experts and working groups of the CIS Interstate Monetary Committee, CIS Interstate Bank, Secretariat of Integration Committee of EEC on the issues of activation of works on arranging the integrated currency market of the states - participants, on setting up a common payment-and-settlement system, and on enhancement of payment-and-settlement relations on the basis of wide use of national currencies.

At the three 2004 meetings of the Council of the heads of central (national) banks of the states - participants of EEC, one of which took place in Bishkek on June 29-30, 2004, the following issues were considered: the banking systems development; foreign exchange cooperation; and interaction of the national payment systems. One of the important results of the work of the Council of the heads was adoption of the Cooperation Agreement in the field of training the central banks personnel of the states - participants of the EEC and Agreements on Unification of the procedure of opening bank accounts by the residents of the states - participants in the other states - participants of the EEC for the purpose of providing services to their Representations.

Within the framework of the adopted Cooperation Agreement in the field of training the Central Banks personnel of the states - participants of the EEC the National Bank representatives in 2004 participated in the training at the National Bank of the Republic of Kazakhstan and Bank of Russia where they studied experience of the given banks on conducting of monetary policy, currency regulation, and banking supervision.

The National Bank took part in the work of Annual Meeting of the Advisory Council of Internal Audit Service of the central banks of the CIS countries and Baltic countries arranged by the National Bank of Armenia. The main goal of the Advisory Council is to provide effective experience sharing in the field of auditing, identifying and evaluating risks in the central bank.

In turn, the National Bank of the Kyrgyz Republic with the purpose of studying experience of accounting and reporting hold

training for the representatives of the National Bank of the Republic of Kazakhstan and for the representatives of the Bank of Russia on the issues of banking supervision and further development of its rules and regulations. Under initiative of the National Bank of Ukraine, Bank of Russia, National Bank of Georgia, National Bank of the Republics of Armenia the National Bank of the Kyrgyz Republic arranged training for the employees of the above banks on exchange of experience in the field of Public Relations and increasing the transparency of activity of the central bank.