



# Draft Design and Monitoring Framework

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Project Number: 41544  
July 2008

## Proposed Program Cluster, Asian Development Fund Grant, and Technical Assistance Grant Kyrgyz Republic: Investment Climate Improvement Program

A design and monitoring framework is an active document, progressively updated and revised as necessary, particularly following any changes in project design and implementation. In accordance with ADB's public communications policy (2005), it is disclosed before appraisal of the project or program. This draft framework may change during processing of the project or program, and the revised version will be disclosed as an appendix to the report and recommendation of the President.

Asian Development Bank



## DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets/Indicators	Data Sources/ Reporting Mechanisms	Assumptions and Risks
<p><b>Impact</b></p> <p>Sustainable economic growth and employment creation</p>	<p>GDP growth averages at least 7% per annum during 2008–2013 (from 5% during 2003–2007)</p> <p>Unemployment rate declines from 8% in 2007 to 5% in 2013</p>	<p>Economic reports and statistics from Government sources and international financial institutions</p>	<p><b>Risk</b></p> <ul style="list-style-type: none"> <li>Political instability and exogenous shocks</li> </ul>
<p><b>Outcome</b></p> <p>Improved investment climate and business environment</p>	<p>Private sector investment increases from 17% of GDP in 2007 to at least 25% by 2012</p> <p>Size of the informal economy declines from 53% in 2007 to at most 20% by 2012</p> <p>Kyrgyz Republic's ranking in the World Bank's <i>Doing Business</i> survey improves from 94 to at least 40 by 2012</p> <p>Time taken to register a business is reduced to 5 days (currently 21 days)</p> <p>Number of pre-customs clearance documents reduced to 1 and clearance time reduced to 5 days (currently approximately 12 documents and 25 days)</p> <p>Time spent by</p>	<p>Economic reports and statistics from Government sources and international financial institutions</p> <p><i>Doing Business</i> survey</p> <p>ADB policy dialogue and consultation missions</p>	<p><b>Assumptions</b></p> <ul style="list-style-type: none"> <li>Broad stakeholder consensus and buy-in for proposed reforms</li> <li>Macroeconomic stability</li> </ul>

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	<p>businesses in dealing with licenses and inspections is reduced to at least one third (currently 388 days)</p> <p>Coverage of the credit information bureau increases to at least the regional average of 15% (currently 1.6% of the population)</p>		
<p><b>Output</b></p> <p>1. Entry and Exit barriers and compliance costs reduced</p>	<p><u>Subprogram 1</u></p> <ul style="list-style-type: none"> <li>• Legal and institutional framework for OSS business registration bureau adopted</li> <li>• Institutional framework for PCSW adopted</li> <li>• Legal, regulatory and institutional framework for RIA established</li> </ul> <p><u>Subprogram 2</u></p> <ul style="list-style-type: none"> <li>• Piloting of OSS completed</li> <li>• Automation of pre-customs clearing completed</li> <li>• Implementation of RIA initiated</li> <li>• Recourse mechanisms strengthened to deter violations of</li> </ul>	<p>Official legal documents</p> <p>Government and Presidential resolutions and decrees</p> <p>ADB policy dialogue and review missions</p>	<p><b>Assumptions</b></p> <ul style="list-style-type: none"> <li>• Effective donor coordination</li> <li>• Effective inter-ministerial coordination</li> </ul> <p><b>Risk</b></p> <ul style="list-style-type: none"> <li>• Frequent staff turnover in ADB and/or implementing agencies</li> </ul>

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2. Access to finance improved	<p>licensing and inspections rules</p> <p><u>Subprogram 3</u></p> <ul style="list-style-type: none"> <li>• Rollout of OSS in all provinces completed</li> <li>• All dormant companies deregistered</li> <li>• Full review of RIA processes completed and necessary improvements made</li> </ul> <p><u>Subprogram 1</u></p> <ul style="list-style-type: none"> <li>• Legal reforms to strengthen the secured lending framework initiated</li> <li>• Tax related impediments to leasing development removed</li> <li>• Legal framework for CIB developed</li> </ul> <p><u>Subprogram 2</u></p> <ul style="list-style-type: none"> <li>• Legal reforms on secured lending framework completed</li> <li>• Extrajudicial procedures for enforcing lease agreements established</li> </ul>		

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3. Private sector investment in infrastructure services increased	<p><u>Subprogram 3</u></p> <ul style="list-style-type: none"> <li>• Central Pledge Office upgraded to enable electronic filing of pledges, electronic payment of fees and online searchable database</li> <li>• Effective credit information sharing mechanisms established</li> </ul> <p><u>Subprogram 1</u></p> <ul style="list-style-type: none"> <li>• Policy and institutional framework for PPP established</li> </ul> <p><u>Subprogram 2</u></p> <ul style="list-style-type: none"> <li>• Legal framework for PPP adopted</li> </ul> <p><u>Subprogram 3</u></p> <ul style="list-style-type: none"> <li>• Pilot PPP projects prepared and contracts signed</li> <li>• Appropriate project development financing facility established</li> </ul>		
<b>Activities with Milestones (up to October 2008)</b>		<b>Inputs</b>	
1.1	Law on Registration of Legal Entities submitted to Parliament (August 2008)	ADB	
1.2	Blueprints for OSS for business registration adopted (July 2008)	\$500,000 PPTA	
1.3	<b>Concept for the PCSW for export/imports adopted (completed: June 2008)</b>	\$15 million grant	
1.4	<b>Method of Assessing the Impact of Regulations (or the RIA adopted (completed: December 2007)</b>	(\$12.5 million program grant,	
1.5	<b>Streamlined inspections procedures with clear rights and obligations of the authorized agencies and inspections and business entities adopted (completed: December 2007)</b>	\$2.5 million project grant)	
1.6	Mechanisms for the reporting of violation of inspections rules developed (August 2008)	\$600,000 million piggybacked TA	
		Government: \$2.5 million	

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2.1 Amendments to the Pledge Law to introduce extrajudicial enforcement of creditor rights, and amendments to the Law on Third Party Courts to remedy the difficulties in enforcing decisions of third party courts submitted to Parliament (August 2008) 2.2 Amendments to the tax code drafted to improve tax treatment of leasing (August 2008) 2.3 <b>Amendments to the Civil Code to allow specialized legislation to regulate credit information sharing among credit financial institutions (completed)</b> 2.4 Agreement between NBKR and CIB to jointly study options for strengthening the effectiveness of credit information sharing systems (September 2008)  3.1 <b>High level policy statement in support of PPPs in infrastructure (completed: January 2008)</b> 3.2 Inter-ministerial PPP coordinating committee, PPP secretariat in MEDT, and Risk Management Unit in MOF established (July 2008) 3.3 <b>Long-term energy master plan completed (completed: February 2008)</b> 3.4 Pilot PPP projects to be developed and implemented during SP2 and SP3 identified (July 2008)			

ADB = Asian Development Bank, CIB = Credit Information Bureau, GDP = gross domestic product, MEDT = Ministry of Economic Development and Trade, MOF = Ministry of Finance, NBKR = National Bank of the Kyrgyz Republic, OSS = one-stop shop, PCSW = pre-customs single window, PPP = public-private partnership, PPTA = project preparatory technical assistance, RIA = regulatory impact assessment, SP = subprogram, TA = technical assistance.