



# Technical Assistance Report

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Project Number: 41544  
March 2008

## Kyrgyz Republic: Preparing the Investment Climate Improvement Program

Asian Development Bank

## CURRENCY EQUIVALENTS

(as of 21 February 2008)

Currency Unit	–	som (Som)
Som1.00	=	\$0.028
\$1.00	=	Som35.95

## ABBREVIATIONS

ADB	–	Asian Development Bank
GTZ	–	Gesellschaft für Technische Zusammenarbeit (German Agency for Technical Cooperation)
ICT	–	information and communication technology
PPP	–	public–private partnership
PPTA	–	project preparatory technical assistance
TA	–	technical assistance
USAID	–	United States Agency for International Development

## TECHNICAL ASSISTANCE CLASSIFICATION

<b>Targeting Classification</b>	–	General intervention
<b>Sectors</b>	–	Multisector (Finance; industry and trade; law, economic management, and public policy)
<b>Subsectors</b>	–	Finance sector development, trade, economic management
<b>Themes</b>	–	Sustainable economic growth, private sector development, capacity development
<b>Subthemes</b>	–	Promoting economic efficiency and enabling markets; policy institutional, legal, and regulatory reforms; institutional development

## NOTE

In this report, "\$" refers to US dollars.

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## I. INTRODUCTION

1. The Government of the Kyrgyz Republic has asked the Asian Development Bank (ADB) for project preparatory technical assistance (PPTA) to prepare the Investment Climate Improvement Program. The PPTA is included in the joint country support strategy 2007–2010.<sup>1</sup> During a Fact-Finding Mission in November 2007, ADB and the Government reached an understanding on the technical assistance (TA) objectives, scope and implementation arrangements. The design and monitoring framework is in Appendix 1.<sup>2</sup>

## II. ISSUES

2. As a small landlocked country with a population of about 5 million and limited natural resources, the Kyrgyz Republic faces formidable development challenges. Averaging 4% per year during 2000–2006, gross domestic product (GDP) growth has been modest and volatile. Approximately 40% of the population lives below the poverty line, and 9% in extreme poverty. The Kyrgyz Republic's longer-term economic prospects hinge on improving productivity and competitiveness by putting in place efficient market mechanisms and a dynamic private sector. However, the private sector continues to face a hostile environment characterized by an excessive regulatory burden, weaknesses in enforcing property rights and contracts, and infrastructure bottlenecks.<sup>3</sup> The World Bank's *Doing Business 2008*<sup>4</sup> report ranked the Kyrgyz Republic 94th out of 178 countries for "ease of doing business."

3. **High Regulatory Burden, Administrative Barriers, and Red Tape.** Business licensing and permit procedures are onerous, requiring numerous and overlapping documents from several agencies. There are 34 broad categories of activities requiring licenses from 16 ministries and 14 agencies. According to the World Bank's *Doing Business 2008* report, there are 20 different procedures required, and businesses can spend as many as 291 days dealing with license-related matters. As a result, in the category "dealing with licenses", the Kyrgyz Republic ranks 152 out of the 178 countries surveyed. There has recently been a proliferation of government inspections and certification requirements and related fees and fines, disrupting business operations and adding significantly to the regulatory burden. While progress has been made in streamlining customs procedures, businesses continue to face significant administrative barriers because of unharmonized regulations and a lack of information sharing among trade-regulating agencies such as customs, border control authorities, and health and veterinary inspectors. There is an urgent need to reduce administrative barriers and red tape through legal, institutional, regulatory, and administrative reforms. Adoption of effective information and communication technology (ICT) is essential if these reforms are to succeed. The many institutions and the prevalence of paper-based systems have stifled business development by increasing regulatory arbitrage between institutions and the scope for rent-seeking. Specifically, ICT tools could improve transparency, attract investments, and support business development by making government agencies more responsive and accountable to the needs of the private sector. Possible institutional arrangements include the organization of a one-stop-shop for business licensing and registration, and a single electronic window for export and import procedures.

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<sup>1</sup> ADB. 2007. *Joint Country Support Strategy (2007–2010): Kyrgyz Republic*. Manila. The joint country support strategy was prepared by ADB, the Department for International Development of the United Kingdom, Swiss Cooperation, United Nations agencies, and the World Bank Group.

<sup>2</sup> The TA first appeared in *ADB Business Opportunities* on 11 January 2008.

<sup>3</sup> A basic problem tree analysis is presented in Appendix 2.

<sup>4</sup> World Bank. 2008. *Doing Business 2008*. Washington DC.

4. **Weak Legal Environment.** A strong legal and regulatory framework for ensuring property rights and contract enforcement is a prerequisite for private sector development. Land ownership rights remain weak, mainly because of inconsistencies in the laws and procedures for the sale and purchase of land. Private investment is also deterred by inadequate safeguards on the enforcement of property and contractual rights. Court procedures for commercial dispute resolution are time-consuming, inefficient, and costly. Judges lack adequate knowledge of commercial practices and business needs. Use of out-of-court arbitration has been limited by weak implementation capacity and lack of public awareness and confidence.

5. Recent amendments to the Pledge Law have simplified collateral requirements and introduced out-of-court procedures for asset foreclosure upon default. However, remaining legal ambiguities and lack of enforcement mechanisms mean commercial banks typically cannot avoid court procedures. Court decisions and their execution can take up to 1 year, and longer if the borrower appeals the court decision. Moreover, there are legal restrictions on the sale of secured assets. Limited coverage and inadequate information from the credit information bureau<sup>5</sup> hinder banks' assessments of potential borrowers' creditworthiness. Combined, these factors increase credit risk and the cost of borrowing, and deter investment.

6. **Low Skills Base and Inadequate Financing Modalities.** Improving productivity and expanding the private sector's growth potential will require investment in market-oriented entrepreneurship skills. Most businesses lack the technical and entrepreneurial skills that would enable them to produce higher value-added products and expand in domestic and overseas markets. As a result, they continue to operate at low levels of efficiency and do not create enough jobs. The implications of the large and growing outflow of migrant workers, most of whom have secondary or higher education, need to be addressed. More generally, technical and entrepreneurial skills are needed to expand the country's economic base and to realize the considerable potential for the development of agri-business in food, cash crops and horticulture processing, and inputs for light industry. High value-added production by small and medium-sized enterprises is also constrained by the lack of funds for capital investment. Efforts to improve access to finance will therefore need to be supplemented by measures to expand financing modalities, including leasing, for small and medium-sized enterprises.

7. **Absence of a Policy and Regulatory Basis for Public–Private Partnerships.**<sup>6</sup> State ownership is dominant in what the authorities define as strategic industries, including almost all of the infrastructure sectors and the larger manufacturing enterprises. Limited or no investment, and generally poor management of these enterprises have led to frequent shortages and bottlenecks, hindering the efficient functioning of markets and development of services supporting market-based production and distribution. While full privatization may be politically and technically difficult in the short term, the scope for improving state-owned industries' commercial viability and service provision through public–private partnership (PPP) needs to be analyzed. However, the legal basis for PPP is not clear and new legislation and amendments to

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<sup>5</sup> The Credit Information Bureau Ishenim is operated by the Association of Financial-Credit Organizations.

<sup>6</sup> PPPs are contractual arrangements between the public sector and a private sector party for the private delivery of public infrastructure and social services. In infrastructure, they can include service contracts, management contracts, leases, concessions, divestiture and build–own–operate contracts, and frequently involve complementary investments and/or services. Examples include private investments in power generation that are complemented by public investments in power transmission and distribution; involvement of a strategic private investor in the implementation and operation of a gas transmission project undertaken by the state gas corporation; implementation of a network of feeder roads or provision of land by the public sector to supplement a privately financed and operated toll road; in airports, provision of facilities such as runways and aprons by the public sector with private investors providing other facilities (such as terminals and their operation); and provision of port infrastructure by the public sector with a private investor being awarded a concession for port operation.

existing laws (such as the laws on procurement and concession) are required.<sup>7</sup> The feasibility of piloting PPP in specific sectors needs to be assessed, and appropriate ownership and financing models, including concessions and performance maintenance contracting arrangements, need to be established.

8. **Weak Institutional Arrangements.** Reforms thus far have generally been introduced in an ad hoc and piecemeal manner. On numerous occasions, legal and regulatory reforms have contradicted existing legislation and policies, exacerbating the uncertainty and risks faced by businesses. Various government agencies, including the Ministry of Economic Development and Trade, the Ministry of Finance, and line ministries, currently have responsibilities over different aspects of private sector development. Quasi-government and consultative bodies with investment promotion and private sector development mandates have also proliferated.<sup>8</sup> Unclear and overlapping roles undermine transparency and accountability. Identifying an appropriate lead agency and establishing effective interagency coordination mechanisms will therefore be a first step in the reform process. The lead agency will be responsible for formulating and adopting a comprehensive private sector strategy, leading consultations with businesses to assess evolving needs and priorities, and coordinating with relevant entities to monitor and evaluate implementation.

9. **Government Priorities and Support from Development Partners.** Improving the investment climate and reducing bureaucratic red tape is highlighted as a priority in the country development strategy 2007–2010 developed in close consultation with the private sector and other stakeholders. A key recent milestone was the enactment of the Law on Inspection in March 2007. Prepared with technical assistance from the United States Agency for International Development (USAID) Business Environment Improvement Project, the law aims to protect entrepreneurs from legal ambiguities and unjustifiable inspections and fines. As inspection provisions are cross-cutting, changes to a number of related laws and regulations will be needed to make them consistent with the Law on Inspections. USAID is also supporting development of a system of regulatory impact analysis, which will be a starting point for streamlining the regulatory regime. A presidential decree and government resolutions aimed at rationalizing export and import clearance procedures through the establishment of a single electronic window have also recently been issued. Following this, the Government has prepared a basic concept for the single electronic window with technical assistance from the German Agency for Technical Cooperation (GTZ),<sup>9</sup> and has asked ADB to support the establishment of a single electronic window. The two main areas of World Bank support include the establishment of a registry for immovable property, and the streamlining of product standards and certification requirements.

10. **ADB Strategy and Operations.** More investment and less corruption in an efficient and transparent business environment are key outcomes envisaged in the joint country support strategy 2007–2010. The proposed TA and ensuing program will build on the achievements of past ADB assistance. For instance, the Second Phase of the Corporate Governance and Enterprise Reform Program<sup>10</sup> helped develop the Pledge Law and the legal framework for out-

<sup>7</sup> Lin, Cyril. 2007. *Private Sector Development in the Kyrgyz Republic: Issues and Options*. Manila: ADB (report for ADB. 2005. *Support to Development and Implementation of National Poverty Reduction Strategy II*. Manila).

<sup>8</sup> The Investment Council, International Business Council, Consultative Council on Foreign Investment, and Invest Summit Secretariat are some examples.

<sup>9</sup> Supported under GTZ's Support to Regional Economic Cooperation in Central Asia project.

<sup>10</sup> ADB. 2001. *Report and Recommendation of the President to the Board of Directors on a Proposed Program Loan and Technical Assistance Grant to the Kyrgyz Republic for the Second Phase of the Corporate Governance and Enterprise Reform Program*. Manila (Loan 1860, approved 22 November 2001).

of-court commercial dispute resolution. The proposed TA will focus on effective implementation of these reforms. Likewise, measures to improve access to finance will build on the achievements of the Financial Intermediation and Resource Mobilization Program<sup>11</sup> and the ongoing Banking and Capital Market Development Program,<sup>12</sup> which were instrumental in putting in place the legal, regulatory and supervisory framework for the banking and nonbanking financial sectors. ADB is also currently providing assistance for customs reform and tax administration reform.<sup>13</sup> By helping streamline and automate customs and tax administration, these projects will contribute significantly to reducing administrative barriers faced by businesses.

11. There is, therefore, demonstrated Government commitment and considerable donor support for improving the business environment and investment climate. The challenge is to formulate a reform agenda that goes beyond policy pronouncements and enactment of laws and regulations, and puts in place the institutional setting, incentive structures, and systems and procedures necessary for effective implementation and enforcement. Helping the Government meet this challenge will require long-term engagement through a programmatic approach that supports policy reform, as well as investment and capacity-building needs.

### III. THE TECHNICAL ASSISTANCE

#### A. Impact and Outcome

12. The TA aims to support sustainable economic growth through an improved business environment and investment climate.<sup>14</sup> To this end, the TA will develop a medium-term strategy and an action plan for addressing the key impediments to private sector development. The action plan will cover measures over the short term (1–2 years), medium term (2–4 years) and long term (4–6 years) to reduce the cost of doing business. The measures will aim to gradually increase the Kyrgyz Republic's standing in terms of ease of doing business from 94th place in the World Bank's *Doing Business 2008* to about 60th by 2010 and better than 40th by 2013. The main TA outputs will include (i) analysis of the binding constraints to private sector development,<sup>15</sup> (ii) assessment of technical and vocational training needs for market-oriented entrepreneurship, (iii) concrete policy recommendations for improving the business environment and investment climate, (iv) design of specific institutional arrangements such as a one-stop-shop and a single electronic window for ensuring reform implementation and enforcement, and (v) capacity building of the Ministry of Economic Development and Trade and other agencies. These outputs will form the building blocks for the design of the proposed program cluster. It is envisaged that the program cluster will be implemented over a 4–5 year period. In addition to

<sup>11</sup> ADB. 1999. *Report and Recommendation of the President to the Board of Directors on Proposed Program Loans to the Kyrgyz Republic for the Financial Intermediation and Resource Mobilization Program*. Manila (Loans 1723 and 1724, approved 17 December 1999).

<sup>12</sup> ADB. 2005. *Report and Recommendation of the President to the Board of Directors on a Proposed Program Loan and Technical Assistance Grant to the Kyrgyz Republic for the Banking Sector and Capital Market Development Program*. Manila (Loan 2224, approved 20 December 2005).

<sup>13</sup> ADB. 2004. *Report and Recommendation of the President to the Board of Directors on Proposed Program Loans and Technical Assistance Grants to the Kyrgyz Republic and Tajikistan for the Regional Customs Modernization and Infrastructure Development Project*. Manila (Loan 2113, approved 26 November 2004); ADB. 2007. *Report and Recommendation of the President to the Board of Directors on a Proposed Asian Development Fund Grant and Technical Assistance Grants to the Kyrgyz Republic for Tax Administration Reform and Modernization Project*. Manila (Grant 0077, approved 14 June 2007).

<sup>14</sup> An initial poverty and social analysis is in Appendix 3.

<sup>15</sup> The TA will synthesize the findings from all recent studies, and focus only on those areas not examined or adequately covered.

the design of the program, the TA will also help the Kyrgyz Republic implement the most critical short-term measures during 2008.

## **B. Methodology and Key Activities**

13. The TA will have two components.

- (i) **Component 1: Situation Analysis and Diagnostics.** This component will start with a quick stocktaking of recent studies and assessments, including a comprehensive review of the policy, legal and regulatory framework affecting the business environment and investment climate. The focus will be on, among others, business registration and licensing, property rights, commercial dispute resolution, access to finance, entrepreneurial skills, and PPPs. The review will identify the binding constraints to investment and private sector development. It will clearly distinguish the impediments resulting from weaknesses in the policy, legal and regulatory framework from those due to lack of awareness and weak implementation capacity. Extensive stakeholder consultations through workshops and seminars will be conducted.
- (ii) **Component 2: Reform Agenda Formulation.** Based on the findings of component 1, a comprehensive medium-term reform strategy and a time-bound action plan will be formulated. The strategy will include blueprints on the use of ICT to streamline business procedures through the establishment of a one-stop-shop for business licensing and a single electronic window for export and import procedures. It will also include a subcomponent on the skills needs for market-oriented entrepreneurship. The primary focus of this component will be on identifying concrete and achievable goals and developing an implementation plan to ensure reform effectiveness and sustainability. Stakeholder consultation will focus on improving awareness and securing buy-in for the proposed reforms.<sup>16</sup>

## **C. Cost and Financing**

14. The total cost of the TA is estimated at \$600,000 equivalent. ADB will provide \$500,000 on a grant basis from ADB's TA funding program. The Government will finance the balance of \$100,000 equivalent in-kind by providing office space, logistical support, workshop facilities, and counterpart staff. Detailed cost estimates are in Appendix 4. The Government has been advised that ADB's approval of the TA does not commit ADB to finance any ensuing program.

## **D. Implementation Arrangements**

15. The Ministry of Economic Development and Trade will be the Executing Agency and will provide logistical support, workshop facilities, and counterpart staff. The Minister of Economic Development and Trade will chair the TA steering committee, which will include the deputy minister of economic development and trade, and representatives from the Ministry of Finance, Presidential Administration, Prime Minister's Office, State Committee on State Property Management, State Committee for Taxes and Collections and State Customs Committee, National Bank of Kyrgyz Republic and the Investment Council. The steering committee will guide and assist TA implementation.

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<sup>16</sup> The consultations will be in line with ADB. 2006. *Strengthening Participation for Development Results: A Staff Guide to Consultation and Participation*. Manila.

16. The TA will be implemented during March–August 2008. It will require about 15 person-months of international consultant services and 15 person-months of domestic consultant services. Outline terms of reference are in Appendix 5. The consultants will be selected and engaged by ADB on an individual basis, in accordance with its *Guidelines on the Use of Consultants* (2007, as amended from time to time), and other arrangements satisfactory to ADB for the selection and engagement of domestic consultants. The consultants will prepare an inception report within 1 month of TA inception, a midterm report during the 3rd month of implementation, and a draft final report at least 2 weeks before TA completion. The consultants will be responsible for procurement of goods and services required for the TA. Equipment will be procured through the shopping method according to ADB's *Procurement Guidelines* (2007, as amended from time to time), and will be transferred to the Ministry of Economic Development and Trade upon TA completion.

#### **IV. THE PRESIDENT'S DECISION**

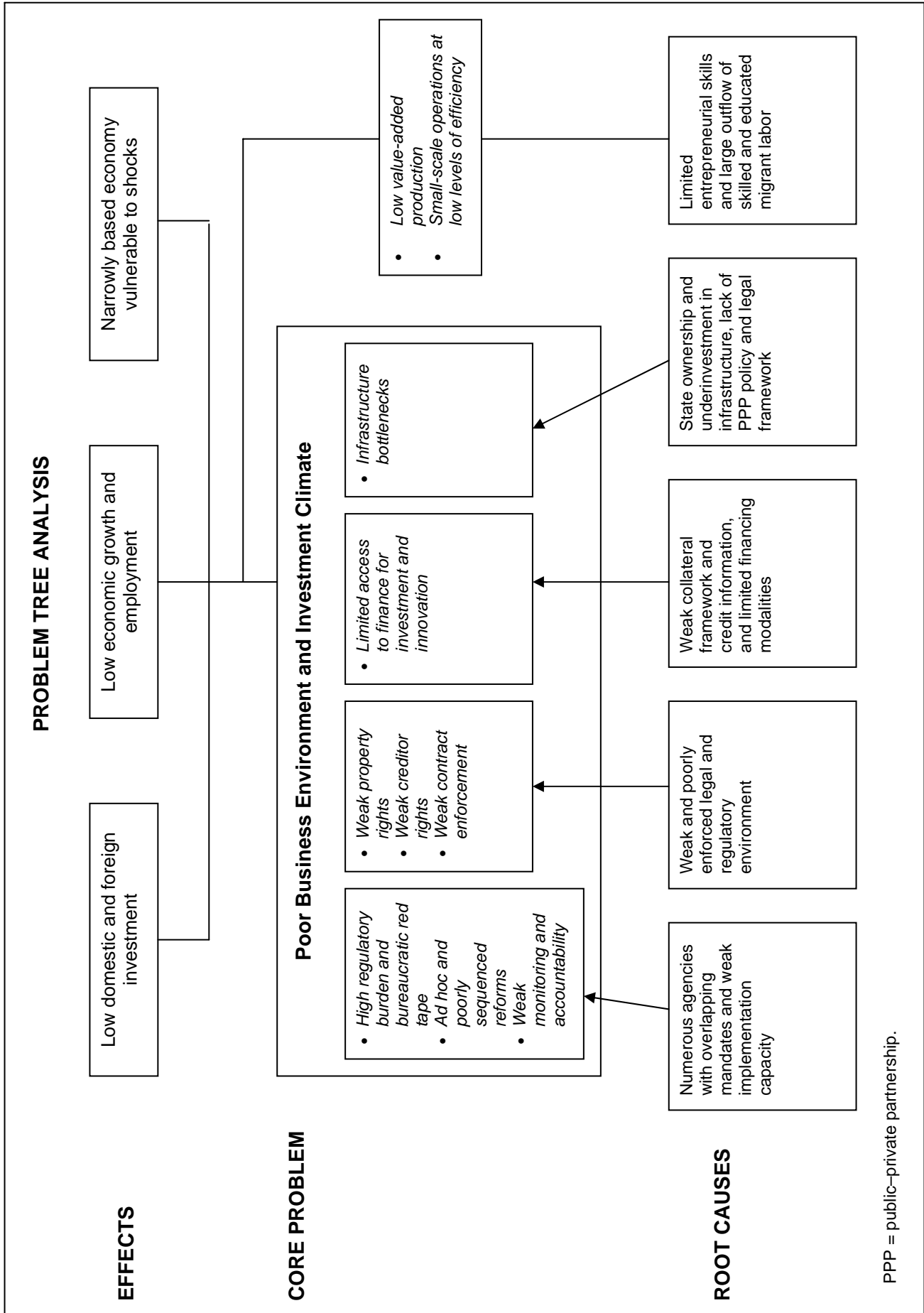
17. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$500,000 on a grant basis to the Government of the Kyrgyz Republic for preparing the Investment Climate Improvement Program, and hereby reports this action to the Board.

## 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 through improved business environment and investment climate</p>	<p>GDP growth averages approximately 6% a year during 2008–2012</p> <p>Private investment increases from 17% of GDP in 2006 to at least 25% by 2012</p> <p>Kyrgyz Republic's ranking improves from 94th place in World Bank's <i>Doing Business 2008</i> to at least 60th by 2010 and better than 40th by 2013.</p>	<p>Government and international financial institutions statistics</p> <p>World Bank Doing Business surveys</p>	<p><b>Assumption</b></p> <ul style="list-style-type: none"> <li>Government remains committed to reforms</li> </ul> <p><b>Risks</b></p> <ul style="list-style-type: none"> <li>Political instability and exogenous shocks</li> <li>Capacity constraints undermine implementation</li> </ul>
<p><b>Outcome</b></p> <p>Comprehensive reform agenda and time-bound action plan adopted</p>	<p>Program MOU signed by ADB and Government by July 2008</p>	<p>MOU</p>	<p><b>Assumption</b></p> <ul style="list-style-type: none"> <li>Board stakeholder consensus and buy-in for proposed reforms</li> </ul> <p><b>Risk</b></p> <ul style="list-style-type: none"> <li>Vested interests resist change</li> </ul>
<p><b>Output</b></p> <p>1. Diagnostic analysis to identify key constraints to private sector development</p> <p>2. Assessment of skills needs for market-oriented entrepreneurship</p> <p>3. Concrete policy</p>	<p>At least 2 rounds of consultations with relevant stakeholders by July 2008</p> <p>Project design with well-defined objectives, components, design and monitoring framework, and cost</p>	<p>Inception, midterm and final TA reports</p> <p>ADB missions</p>	<p><b>Assumptions</b></p> <ul style="list-style-type: none"> <li>Effective donor coordination</li> <li>Qualified and committed counterpart staff</li> </ul> <p><b>Risk</b></p> <ul style="list-style-type: none"> <li>Difficulties in engaging and/or retaining qualified consultants</li> </ul>

<p>recommendations for improving business environment and investment climate</p> <p>4. Specific measures for ensuring reform implementation and sustainability</p> <p>5. Capacity building of the Ministry of Economic Development and Trade and other relevant agencies</p>	<p>and financing and implementation arrangements completed</p> <p>Joint participation in diagnostic assessments (the ensuing cluster is likely to have specific training programs)</p>		
<p><b>Activities with Milestones</b></p> <p>1.1 Conduct stakeholder consultations to identify binding constraints and assessment of longer-term technical and entrepreneurial skills needs (month 1)</p> <p>1.2 Distinguish impediments arising from policy, legal and regulatory framework from those due to weak implementation and enforcement (month 1)</p> <p>2.1 Develop concrete and achievable reform recommendations and time-bound action plan developed (months 2–4)</p> <p>2.2 Outline specific measures to ensure reform implementation and sustainability, and prepare blueprint and cost estimates for ICT (months 2–4)</p> <p>2.3 Fully consult all relevant development partners on their current and planned assistance to avoid duplication and maximize complementarity (months 2–4)</p> <p>3.1 Formulate a program with well-defined objectives, components, design and monitoring framework, and cost and financing and implementation arrangements (months 5–6)</p> <p>3.2 Conduct training and workshop to secure stakeholder buy-in for proposed reforms</p>		<p><b>Inputs</b></p> <p>ADB: \$500,000</p> <ul style="list-style-type: none"> <li>• International and national consulting services (30 person-months)</li> <li>• Training and workshop</li> <li>• Equipment</li> </ul> <p>Government: \$100,000</p> <ul style="list-style-type: none"> <li>• Counterpart staff</li> <li>• Office space</li> </ul>	

ADB = Asian Development Bank, GDP = gross domestic product, ICT = information and communication technology, MOU = memorandum of understanding, TA = technical assistance.



### INITIAL POVERTY AND SOCIAL ANALYSIS

Country/Project Title:	Kyrgyz Republic: Preparing the Investment Climate Improvement Program		
Lending/Financing Modality:	Program	Department/Division:	Central and West Asia Department Governance, Finance, and Trade Division

#### I. POVERTY ISSUES

##### A. Linkages to the National Poverty Reduction Strategy and Country Partnership Strategy

The Kyrgyz Republic joint country support strategy 2007–2010 is closely aligned with the Government's development goals as defined in the country development strategy (CDS) 2007–2010, prepared by the Kyrgyz authorities. The CDS builds on the policy experience gained in implementing the national poverty reduction strategy. The CDS is anchored on four pillars: (i) growth-oriented economic development and improving the business environment, (ii) governance and transparency in public administration, (iii) human resource development, and (iv) environmental sustainability and natural resources management. The CDS places improving governance high on the agenda. Policies and actions will focus on creating a favorable business environment that supports private sector development and an investment climate that will attract foreign investment. ADB's assistance program within the joint country support strategy framework includes support for improving the investment climate that will aim to streamline procedures for registration, licensing and compliance of private businesses; lower administrative barriers for businesses; and enforce property and creditor rights.

##### B. Targeting Classification

1. Select the targeting classification of the project:

General Intervention (GI)    Individual or Household (TI-H);    Geographic (TI-G);    Non-Income MDGs (TI-M1, M2)

2. Explain the basis for the targeting classification:

The project does not focus on individuals or households or specific geographical areas, but aims to support macroeconomic growth by improving the business environment to enable increased investment and employment generation.

##### C. Poverty Analysis

The project is classified as a general intervention and therefore no full poverty analysis is required. The Kyrgyz Republic CDS focuses on consolidating macroeconomic stability during the implementation of the national poverty reduction strategy to foster further growth and poverty reduction. The project will support improvements in the business environment and investment climate, which will facilitate investment and employment creation.

#### II. SOCIAL DEVELOPMENT ISSUES

##### A. Initial Social Analysis

As a small landlocked country with a population of about 5 million and limited natural resources, the Kyrgyz Republic faces formidable development challenges. Averaging 4% per year during 2000–2006, GDP growth has been modest and volatile. Approximately 40% of the population lives below the poverty line, and 9% are in extreme poverty. The Kyrgyz Republic's longer-term economic prospects hinge critically on improved productivity and competitiveness based on efficient market mechanisms and a dynamic private sector. This project will make an important contribution to improving economic and social conditions in the Kyrgyz Republic.

##### B. Consultation and Participation

1. Indicate the potential initial stakeholders.

Initial stakeholders include Government agencies such as the Ministry of Economic Development and Trade; the Investment Council under the President of the Kyrgyz Republic; and the private sector represented by business associations such as the International Business Council and Chamber of Commerce.

2. What type of consultation and participation is required during the PPTA or project processing (e.g., workshops, community mobilization, involvement of nongovernment organizations and community-based organizations, etc.)?

Consultation meetings, seminars, and workshops with stakeholders will be done during the PPTA or project processing.

3. What level of participation is envisaged for project design?

Information sharing    Consultation    Collaborative decision making    Empowerment

4. Will a consultation and participation plan be prepared?    Yes    No

A consultation and participation plan is not required as there are no significant social safeguard issues. Nevertheless, the PPTA will consult extensively with all stakeholders.

**C. Gender and Development**

1. What are the key gender issues in the sector or subsector that are likely to be relevant to this project or program?

The project has no specific gender implications.

2. Does the proposed project or program have the potential to promote gender equality and/or women's empowerment by improving women's access to and use of opportunities, services, resources, assets, and participation in decision making?  Yes  No

The measures to improve access to finance and entrepreneurship skills could contribute to promote gender equality and women's empowerment.

3. Could the proposed project have an adverse impact on women and/or girls or to widen gender inequality?  Yes  No

**III. SOCIAL SAFEGUARD ISSUES AND OTHER SOCIAL RISKS**

Issue	Nature of Social Issue	Significant/Limited/ No Impact/Not Known	Plan or Other Action Required
<b>Involuntary Resettlement</b>		No Impact	<input type="checkbox"/> Full Plan <input type="checkbox"/> Short Plan <input type="checkbox"/> Resettlement Framework <input checked="" type="checkbox"/> No Action <input type="checkbox"/> Uncertain
<b>Indigenous Peoples</b>		No Impact	<input type="checkbox"/> Plan <input type="checkbox"/> Other Action <input type="checkbox"/> Indigenous Peoples Framework <input checked="" type="checkbox"/> No Action <input type="checkbox"/> Uncertain
<b>Labor</b> <input checked="" type="checkbox"/> Employment Opportunities <input type="checkbox"/> Labor Retrenchment <input type="checkbox"/> Core Labor Standards		No Impact	<input type="checkbox"/> Plan <input type="checkbox"/> Other Action <input checked="" type="checkbox"/> No Action <input type="checkbox"/> Uncertain
<b>Affordability</b>		No Impact	<input type="checkbox"/> Action <input checked="" type="checkbox"/> No Action <input type="checkbox"/> Uncertain
<b>Other Risks and/or Vulnerabilities</b> <input type="checkbox"/> HIV/AIDS <input type="checkbox"/> Human Trafficking <input type="checkbox"/> Others (conflict, political instability, etc.), please specify.		No Impact	<input type="checkbox"/> Plan <input type="checkbox"/> Other Action <input checked="" type="checkbox"/> No Action <input type="checkbox"/> Uncertain

**IV. PPTA/DUE DILIGENCE RESOURCE REQUIREMENT**

1. Do the TOR for the PPTA (or other due diligence) include poverty, social and gender analysis and the relevant specialist/s?  Yes  No If no, please explain why.

The project is classified as GI and does not have indigenous persons, gender, relocation, or other social issues.

2. Are resources (consultants, survey budget, and workshop) allocated for conducting poverty, social and/or gender analysis, and C&P during the PPTA/due diligence?  Yes  No If no, please explain why.

No full poverty analysis or further social analysis is required.

**COST ESTIMATES AND FINANCING PLAN**  
(\$'000)

Item	Total Cost
<b>A. Asian Development Bank Financing<sup>a</sup></b>	
1. Consultants	
a. Remuneration and Per Diem	417.00
b. Travel	42.00
2. Miscellaneous TA Administration and Support Costs	5.00
3. Training, Seminars, and Conferences	16.00
4. Equipment (includes computers and printers)	15.00
5. Contingencies	5.00
<b>Subtotal (A)</b>	<b>500.00</b>
<b>B. Government Financing</b>	
1. Office Accommodation and Logistical Support	40.00
2. Counterpart Staff Remuneration	35.00
3. Training and Workshop Venues and Local Transport	25.00
<b>Subtotal (B)</b>	<b>100.00</b>
<b>Total</b>	<b>600.00</b>

TA = technical assistance.

<sup>a</sup> Financed by the Asian Development Bank's technical assistance funding program.

Source: Asian Development Bank estimates.

## OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. The team of experts will be expected to produce two principal sets of outputs.
  - (i) Formulation of meaningful and practical reforms to strengthen the investment climate over the short term (1–2 years), medium term (2–4 years) and long term (4–6 years) that will systematically help improve the Kyrgyz Republic's overall standing from 94th place now to about 60th place within 2 years and better than 40th over the next 4–5 years.
  - (ii) Design of institutional mechanisms, such as the one-stop-shop and single electronic window, to help achieve the above goals, together with clear investment and execution plans.

2. It is estimated that the proposed technical assistance (TA) will require 15 person-months of inputs from international consultants and 15 person-months from national consultants. The areas of expertise will include private sector development, technical and entrepreneurial skills, legal reform, e-regulations and information and communication technology (ICT), and public–private partnership (PPP). The number of experts required is being kept flexible at the time of the design of this TA, and will be decided on the basis of the requirements that emerge over the TA implementation period.

### A. International Consultants (15 person-months total)

#### 1. Private Sector Development (about 6 person-months)<sup>1</sup>

3. The experts will have postgraduate degrees in economics, finance or business, and at least 10 years' experience in private sector development reforms in developing countries. Relevant experience in Central Asia and a working knowledge of the Russian language would be highly desirable. The terms of reference (TOR) will include the following:

- (i) conduct a comprehensive review and assessment of the existing business environment and investment climate, including stocktaking of recent government reform efforts in relevant areas;
- (ii) identify binding constraints to domestic and foreign investment, and private sector development;
- (iii) review the institutional framework and identify appropriate lead agency and interagency coordination mechanisms for private sector development efforts;
- (iv) identify longer-term skills needs for market-oriented entrepreneurship;
- (v) based on (i)–(iv), develop a comprehensive reform agenda for the next 3–5 years;
- (vi) outline a detailed implementation plan, including cost estimates for investment requirements and capacity-building needs;
- (vii) lead stakeholder consultations, including policy dialogue with relevant government agencies, private sector participants and development partners;
- (viii) manage inputs of other consultants to ensure timely completion of inception, midterm and final TA reports; and
- (ix) support the Asian Development Bank (ADB) to identify suitable domestic consultants.

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<sup>1</sup> An expert in this area will also function as the team leader.

## **2. Legal Reform (3 person-months)**

4. The legal expert will have at least 7 years' experience in drafting laws pertaining to the business environment and investment climate, and the financial sector. Relevant experience in Central Asia and working knowledge of Russian would be highly desirable. The TOR will include the following:

- (i) identify and review key laws and regulations related to the business environment and investment climate;
- (ii) propose amendments or new legislation and regulations to address gaps and inconsistencies, taking into account all relevant safeguard requirements;
- (iii) identify public awareness and capacity building needs in the area of legal reform;
- (iv) take the lead in supervising the work of the national legal expert; and
- (v) provide written inputs for relevant sections in the TA reports.

## **3. Institutional Reform/One-stop-shop and Single Electronic Window (3 person-months)**

5. The expert will have at least 5 years' experience in the design and implementation of e-regulations and single electronic window facilities for business licensing and permits and export and import clearance procedures. Relevant experience in Central Asia and working knowledge of Russian would be highly desirable. The TOR will include the following:

- (i) identify preconditions and requirements for appropriate institutional arrangements and ICT adoption;
- (ii) develop a blueprint for one-stop-shop and single electronic window aimed at enhancing transparency and facilitating business licenses and permits and export and import clearance;
- (iii) identify capacity-building needs and investment requirements for the implementation of the blueprint;
- (iv) take the lead in supervising the work of the national ICT expert; and
- (v) provide written inputs for relevant sections in the TA reports.

## **4. Public–Private Partnership (3 person-months)**

6. The specialist will have at least 5 years' experience related to privatization reforms and PPP framework, especially in the infrastructure sector. Legal background and experience in transition economies and a working knowledge of Russian would be highly desirable. The TOR will include the following:

- (i) conduct feasibility for PPP in specific infrastructure sectors(s) over the medium term;
- (ii) prepare detailed proposals for strengthening the policy, legal, and regulatory framework;
- (iii) work with the legal expert to develop basic legal and regulatory framework for PPP;
- (iv) identify awareness and capacity-building needs of relevant stakeholders;
- (v) take the lead in supervising the work of the national consultant; and
- (vi) provide written inputs for relevant sections in the TA reports.

**B. National Consultants** (3 consultants, 15 person-months total)

7. Three national consultants, one each in the areas of private sector development and economics, commercial law, and ICT, will support the international consultants by (i) providing background information, (ii) translating relevant documents, (iii) helping draft laws and regulations, and (iv) facilitating training and workshops. Detailed TOR for the national consultants will be prepared by the international consultants.

