

DEVELOPMENT COORDINATION

A. Major Development Partners: Strategic Foci and Key Activities

1. Several development partners are supporting the Government of the Kyrgyz Republic in improving the business and investment climate, as reflected in the following table. A synopsis of the main partners' key initiatives follows.

Major Development Partners			
Development Partner	Project Name	Duration	Amount (\$ million)
Finance Sector			
ADB	Loan to Kyrgyz Investment and Credit Bank for SME Finance	2012–2014	10.0
ADB–JFPR	Women's Entrepreneurship Development Project	2013–2016	1.5
GIZ	Promotion of Microfinance in Central Asia	2008–2013	3.3
IFC–SECO	Housing Microfinance in Advisory Services Project	2011–2015	1.2
IFC–SECO	Azerbaijan–Central Asia Micro and Responsible Finance Project	2013–2016	4.2
IMF	Extended Credit Facility Arrangement	2011–2014	106
IDB	TA for Regulatory Framework for Takaful and Sukuk	2014–2015	...
KfW	Housing Microfinance Program	2013–2015	10.5
KfW	Rural Finance Program	2013–2016	15.8
World Bank–IFC	Financial Sector Development Project	2013–2018	8.9
Public Private Partnership (PPP)			
ADB	TA for Strengthening the Enabling Environment for PPP	2014–2016	1.0
CDIA	PFS Bishkek Lighting	2014–2015	...
EBRD	Bishkek Public Transport Project (E-ticketing)	2012–2015	5.5
EBRD	Small and Medium-Sized Hydropower Development	2009–2015	1.0
IFC	TAS Central Laboratory and Hemodialysis	2014–2016	...
KfW	FS Central Laboratory and Hemodialysis	2013–2015	...
Investment Promotion, Trade and Business Climate			
ADB	Regional CAREC Improvement of Border Services Project	2013–2017	8.4
JFPR	Aligning Customs Trade Facilitation Measures with Best Practices in CAREC	2014–2016	1.25
JFPR	Coordinated Border Management for Results in CAREC	2014–2016	1.25
JICA	One Village One Product Project	2012–2015	...
JICA	Promotion of Exportable Vegetable Seed Production	2013–2018	...
IFC–DFID–SECO	Central Asia Regional Program on Investment Climate	2013–2015	4.5
EBRD	Small Business Support	2005–	9.4
GIZ	Promotion of Sustainable Economic Development Program	2008–2017	23.0
World Bank–IFC	Central Asia Investment Climate Program
SECO	Trade Promotion Program	2013–2017	2.5
SECO	Organic Cotton Production and Trade Promotion	2013–2016	2.0
USAID	Investment Climate Advisory Services	2008–2013	3.6
USAID	REFORMA Project	2011–2014	7.7
USAID	Business Growth Initiative	2014–2018	20.2
Governance/Corruption			
World Bank	Development Policy Operation 1 and 2 (DPO1 and DPO2)	2013–2014	50.0

... = not available, CAREC = Central Asia Regional Economic Cooperation, CDIA = Cities Development Initiative for Asia, DFID = Department for International Development of the United Kingdom, EBRD = European Bank for Reconstruction and Development, FS = feasibility study, GIZ = Deutsche Gesellschaft für Internationale Zusammenarbeit, IFC = International Finance Corporation, IDB = Islamic Development Bank, JFPR = Japan Fund for Poverty Reduction, JICA = Japan International Cooperation Agency, MSME = micro, small and medium-sized enterprise, PFS = prefeasibility study, SECO = Swiss State Secretariat for Economic Affairs, SME = small and medium-sized enterprise, TA = technical assistance, TAS = Transaction Advisory Services, USAID = United States Agency for International Development

Note: exchange rate Euro-\$ = 1.21

Sources: Development partners' websites and interviews.

2. The 3-year extended credit facility of the International Monetary Fund (IMF) supported efforts to consolidate the country's fiscal position and address weaknesses in the finance sector. A new 3-year facility for \$92.4 million was approved in April 2015 to help strengthen the finance sector and support reforms to diversify the economy.

3. The World Bank and International Finance Corporation (IFC) programs promote private sector development by improving the investment climate, broadening access to finance, and increasing private sector participation in the economy. The World Bank Group is jointly implementing the \$8.9 million Financial Sector Development Project (2013–2018) to (i) improve the legal, regulatory, and supervisory framework for banks and microfinance organizations and increase the capacity of the National Bank of the Kyrgyz Republic (NBKR); (ii) transform Kyrgyz Post into a better distribution channel for basic financial services, including mobile financial services; and (iii) strengthen the regimes for moveable collateral and debt resolution. IFC's Transformation for Micro Finance Institutions (MFIs) project aims to expand access to finance for micro, small, and medium-sized enterprises by strengthening the institutional capacity of MFIs. The \$1.2 million Housing Microfinance Advisory Project (2011–2015) is improving housing for low-income groups through new microfinance institution loan products. In addition, IFC has carried out various investment projects in the real and finance sectors for a total of \$37.2 million. In partnership with the Swiss State Secretariat for Economic Affairs (SECO), IFC implemented the Investment Climate Advisory Services for \$3.6 million during 2008–2013. In 2014, IFC signed a public–private partnership (PPP) transaction advisory mandate for the Central Laboratory and Hemodialysis Unit project (Ministry of Health). Under the multidonor Central Asia Investment Climate Program, baseline data will be developed to help analyze the cost–benefit ratio of all fiscal and nonfiscal incentives to attract foreign capital. IFC is also upgrading food safety capacities through technical assistance in laboratory accreditation.

4. The operations of the European Bank for Reconstruction and Development (EBRD) promote private-sector-led growth through support for small and medium-sized enterprises (SMEs), the finance sector, and development of critical infrastructure. The EBRD is currently supporting two PPP initiatives: (i) a PPP project for e-ticketing of the public transport trolleybus system in the city of Bishkek, and (ii) a tender for a possible PPP project for two small-scale hydro power facilities. Since 2005, the EBRD has run the Small Business Support project to provide professional expertise to SMEs. This is done through the Enterprise Growth Program, which works with SMEs to develop new business skills at the senior management level, and the SECO-funded Business Advisory Services Program.

5. In collaboration with the International Trade Center, GIZ is implementing the €5 million Promotion of Sustainable Economic Development program (2008–2017) to reform policies, promote value chains, stimulate local economic development, and improve financial inclusion. To increase access to finance, GIZ has a regional \$3.3 million program to promote microfinance in Central Asia. GIZ is also supporting the development of a 2-year business plan for the newly created Investment Promotion Agency. It has supported a PPP training program for the health care sector and a review of the PPP institutional framework.

6. The Islamic Development Bank (IDB) supports investments in transport, trade, and energy in the Central Asia Regional Economic Cooperation (CAREC) region, with an overall regional portfolio of more than \$700 million. The IDB's private sector arm, the Islamic Corporation for the Development of the Private Sector, through the Small Enterprise Assistance Fund, supports Islamic finance growth focusing on leasing, piloting Islamic banking at the Eco Islamic Bank, and reviewing the regulatory framework.

7. Japan International Cooperation Agency (JICA) support for the Promotion of Exportable Vegetable Seed Production is helping develop the national seed business to meet demand from international seed enterprises. Cluster-based small business is being developed through the One Village One Product project. JICA has also been supporting PPP training.

8. In coordination with IFC, KfW is implementing the Housing Finance Program, which is providing long-term local currency financing to the Kyrgyz Investment and Credit Bank, Bai Tushum microfinance bank, and the Kompanion microfinance organization to enable them to extend housing finance loans to low- and middle-income households. The financial institutions are also receiving support to strengthen their institutional and operational capacities in this area. The Rural Finance Program channels funds to selected financial institutions to onlend to SMEs. KfW, with IFC as transaction advisor, is also supporting feasibility studies for the development of a central laboratory and hemodialysis units through a PPP arrangement.

9. SECO remains an active partner through its (i) Trade Promotion Program, implemented by the International Trade Center, to expand and diversify export trade and improve the quality management of SMEs, particularly in the textile and clothing industry; (ii) Organic Cotton Production and Trade Promotion Project that supports organic farming and domestic and international trade; and (iii) business advisory services, cofinanced with other donors.

10. The United States Agency for International Development (USAID) is implementing the Increasing Access to Credit program (2014–2018) that provides portfolio guarantees to two Kyrgyz banks to onlend to SMEs and agricultural businesses. The Women's Leadership in SMEs program (2012–2015) promotes the growth of businesses led by women by building their managerial capacities. USAID is also supporting the \$20 million Business Growth Initiative to improve firm competitiveness and value chains. The initiative builds on the business enabling environment reforms supported under the REFORMA project (2011–2014).

B. Institutional Arrangements and Processes for Development Coordination

11. The Development Partner Coordination Council is responsible for facilitating dialogue with the government. The Policy and Donor Coordination Division established in the Ministry of Economy (MOE) has started to map and coordinate donor activities. For PPPs, the current informal coordination is targeted to be formalized in 2015 under a PPP coordination committee.

C. Achievements and Issues

12. Aid coordination is strong, and development partners have been coordinating their interventions through existing formal and informal platforms. Coordination will become more streamlined once the Policy and Donor Coordination Division in the MOE gains experience.

D. Summary and Recommendations

13. There is a wide range of development partners working on various aspects of investment and business climate improvement. The Second Investment Climate Improvement Program responds to key government requests, and the program design has been coordinated with other development partners informally as well as through existing formal institutional arrangements. The program fills important gaps and provides a platform for synergizing the various development partner interventions. The Development Partner Coordination Council and the Donor Coordination Division in the MOE will be actively consulted to ensure continued cooperation in addressing policy issues more systematically, improving institutional strengthening and capacity building, and enhancing government ownership of reforms to achieve greater development impact.