

DEVELOPMENT COORDINATION

A. Major Development Partners: Strategic Foci and Key Activities

1. Key development partners support the Government of the Kyrgyz Republic in improving its business and investment climate. A synopsis of the main partners' key initiatives follows.

Major Development Partners

Development Partner	Project Name	Duration	Amount (\$ million)
Finance Sector			
EBRD	Kyrgyz Financial Sector Framework	2007–2017	40.0
EBRD	Loan to Optima Bank (SME finance and foreign trade)	2015	13.0
IFC–SECO	Azerbaijan–Central Asia Financial Markets Infrastructure Project	2013–2016	30.8 ^a
IFC–DFID	Improving Corporate Governance in Central Asia	2006–present	10.1
IMF	Extended Credit Facility Arrangement	2015–2018	92.4
KfW	Rural Finance Program	2013–2016	15.8
World Bank	Financial Sector Development Project	2013–2018	8.9
Public–Private Partnership (PPP)			
ADB	Strengthening the Enabling Environment for PPPs	2014–2016	1.0
ADB	Performance Management Contract Bishkek – Kara Balta Road Project	2012–2016	...
EBRD	Bishkek Public Transport Project (E-ticketing)	2012–2016	6.5
IFC	TAS: Central Laboratory and Hemodialysis	2014–2016	...
JICA	PPP Training	2015–2017	...
KfW	Feasibility Study: Central Laboratory and Hemodialysis	2013–2015	...
Investment Promotion, Trade and Business Climate			
ADB	Regional CAREC Improvement of Border Services	2013–2017	8.4
ADB	Second Vocational Education and Skills Development Project	2013–2019	20.0
EBRD	Small Business Support	2005–present	9.4
GIZ	Promotion of Sustainable Economic Development Program	2008–2019	23.0
	Support to Regional Trade in Central Asia	2014–2019	
IFC–DFID–SECO	Investment Climate Advisory Services Project	2008–present	4.5
SECO	Trade Promotion Program	2013–2017	2.5
	Economy and Employment	2014–2018	4.7
UNDP	Aid for Trade in Central Asia (funded by Government of Finland)	2015–2019	10.8
USAID	Business Growth Initiative	2014–2018	20.2
	Agro Horizon Project	2014–2018	22.0
World Bank	Central Asia Trade Logistics Project	2016–present	
	Integrated Dairy Productivity Improvement Project	2016–2020	5.12
Governance/Corruption			
World Bank	Audit and Financial Reporting Enhancement Project	2015–present	3.3

... = not available, CAREC = Central Asia Regional Economic Cooperation, DFID = Department for International Development of the United Kingdom, EBRD = European Bank for Reconstruction and Development, GIZ = Deutsche Gesellschaft für Internationale Zusammenarbeit, IFC = International Finance Corporation, JICA = Japan International Cooperation Agency, PPP = public–private partnership, SECO = Swiss State Secretariat for Economic Affairs, SME = small and medium-sized enterprise, TA = technical assistance, TAS = Transaction Advisory Services, UNDP = United Nations Development Programme, USAID = United States Agency for International Development.

^a Total project cost is \$30.8 million; share of the Kyrgyz Republic is not available.

Sources: Inputs from development partners.

2. The 3-year extended credit facility of the International Monetary Fund, approved for about \$92.4 million in April 2015, is supporting fiscal management, strengthening of financial sector resilience, and enhancing confidence in the banking system. The third review (in December 2016) of the country's economic performance under the facility enabled the disbursement of about \$12.9 million, bringing total disbursements to about \$51.5 million.¹

¹ International Monetary Fund. 2016. [IMF Executive Board Completes the Third Review Under the Extended Credit Facility Arrangement for the Kyrgyz Republic](#). Press Release No. 16/559.

3. The World Bank and International Finance Corporation (IFC) programs promote private sector development by improving the investment policy and legal framework, strengthening financial sector stability, increasing access to financial services, and broadening private sector participation in the economy. The Financial Sector Development Project will (i) improve the legal, regulatory, and supervisory framework for the banking subsector, and increase National Bank of the Kyrgyz Republic capacity to monitor and address vulnerabilities; (ii) transform Kyrgyz Post into a better distribution channel for basic financial services, including mobile financial services; and (iii) strengthen moveable collateral registration and debt resolution regimes. The Azerbaijan Central Asia Financial Markets Infrastructure project is strengthening credit information sharing to increase the finance and financial services availability and affordability. The Improving Corporate Governance in Central Asia project is strengthening corporate governance of companies and banks to improve performance and increase their access to capital. The Investment Climate Advisory Services project is reducing regulatory barriers for small businesses, raising food safety standards to enhance the export potential of agribusiness firms, and improving the investment policy framework. The Central Asia Trade Logistics project provides technical support to simplify goods clearance procedures through business process improvements, enhanced risk management and post-clearance audit, improved border agency collaboration, and initiatives for greater transparency in trade and alignment with the World Trade Organization Trade Facilitation Agreement. The World Bank is providing technical assistance to build health sector public-private partnership (PPP) capacity, and IFC is transaction advisor for the Hemodialysis Services and Central Laboratories projects.

4. The European Bank for Reconstruction and Development (EBRD) supports the growth and competitiveness of small and medium-sized enterprises (SMEs), the finance sector, and sustainable public infrastructure, including with private sector participation. In 2015, EBRD provided Optima Bank an \$11 million credit line for microenterprises and SMEs, and a \$2 million trade finance line to facilitate foreign trade for local corporations. The Small Business Support project (which began in 2005) comprises business advisory services (focused on strategy and quality management support) and an enterprise growth program (focused on strengthening overall management and operations), to help SMEs grow and catalyze local growth.

5. In collaboration with the International Trade Center, the German development cooperation through Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) Promotion of Sustainable Economic Development Program (2008–2017) is helping (i) implement strategies for economically, environmentally, and socially sustainable growth; (ii) improve the productivity of selected value chains and export sectors; (iii) stimulate local economic development; and (iv) improve financial services for companies and agricultural producers along the promoted value chains. It is also helping to monitor and coordinate implementation of the national export strategy and develop a 2-year business plan for the Investment Promotion Agency. GIZ has supported a review of the PPP institutional framework and PPP training for the health sector.

6. The Islamic Development Bank supports infrastructure investments, including the multi-country electric power transmission and trade project, CASA-1000. The bank's private sector arm has helped establish the first stand-alone sharia-compliant leasing company to provide financial leasing services to SMEs in agriculture, construction, housing, and manufacturing.

7. The Japan International Cooperation Agency (JICA) is developing the national seed business to meet demand from international seed enterprises, and a master plan for quality and safety inspections of milk and dairy products. Support covers raw milk production and supply chain safety (through processing); improvement of laboratory services; and hazard analysis and critical control points training. The third phase of the One Village-One Product project is focusing

on regional development by increasing export opportunities of local business. JICA has also supported PPP training, and seconded an investment promotion advisor to the Ministry of Economy's Investment Promotion Agency.

8. KfW is implementing the Rural Finance Program, which improves rural access to finance and financial services, including through technical assistance to select financial institutions on optimization of the loan analysis process, simplifying of credit risk analysis of agriculture microenterprises and SMEs, risk mitigation, and improving staff capacity in agro-financial analysis. KfW, with IFC as transaction advisor, financed the feasibility studies for the development of the Central Laboratory and Hemodialysis Unit project as a PPP arrangement.

9. SECO, through the Trade Promotion Program, is helping expand and diversify export trade, and improve management of textile and clothing industry SMEs. It has helped design a web-based Strategy Implementation Management Tool to monitor progress among different government agencies in implementing the 5-year Export Development Program. It also supports the Investment Climate Advisory Services project to improve the regulatory environment for private sector development, and the Azerbaijan Central Asia Financial Markets Infrastructure project to strengthen credit information sharing among financial institutions.

10. The United Nations Development Programme's Regional Aid for Trade Program supports development of a favorable trade environment and capacity to bring local products to market, and helped farmers market walnuts to the European Union and honey to Japan.

11. The United States Agency for International Development's Business Growth Initiative supports competitiveness of firms in tourism, apparel manufacturing and construction materials, while the Agro Horizon Project seeks to develop agricultural SMEs and farmer productivity in four southern oblasts. The agency established a portfolio guarantee with two Kyrgyz banks (2014–2021) to encourage lending to agricultural, tourism, and apparel manufacturing SMEs.

B. Institutional Arrangements and Processes for Development Coordination

12. The Development Partner Coordination Council is responsible for facilitating dialogue with the government. The Ministry of Economy's Policy and Donor Coordination Division (PDCD) has started to more efficiently coordinate development partner activities.

C. Achievements and Issues

13. Aid coordination is strong, and takes place via existing formal and informal platforms; coordination will be streamlined as the PDCD gains experience.

D. Summary and Recommendations

14. Several development partners are working on investment and business climate improvements. The Second Investment Climate Improvement Program and its constituent subprograms respond to key government requests and are designed in coordination with other development partners, informally and through 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 PDCD have been consulted to ensure continued cooperation in addressing policy issues more systematically, improving institutional capacity, and enhancing government ownership of reforms to achieve greater development impact.