SECTOR ASSESSMENT (SUMMARY):
INDUSTRY AND TRADE—TRADE AND INVESTMENT COMPETITIVENESS

Sector Road Map

1. Sector Performance, Problems, and Opportunities

1. Trade and investment continue to be relatively favorable in promoting economic growth. In addition to continuing and deepening these reforms, progress has to be made at the institutional level. In an increasingly competitive environment for exports and foreign direct investment, institutions at the national and regional level have to provide the necessary support services to exporters and foreign investors, ensuring transparency and consistency in their implementation.

A. Trade

2. In 2017, total exports were approximately $1.8 billion, up from $1.52 billion in 2016 however, exports continue to be led by precious metals, accounting for close to 40% of total exports. Footwear exports posted the fastest gain, up by 548.6% from 2016 to 2017, followed by knit or crochet clothing or accessories via a 248.5% gain. These were encouraging signs of the increasing role of non-mineral exports. For the first 11 months of 2018 exports were $1.53 billion, representing a growth rate 100.8%.

3. The following export product groups represent the highest dollar value in Kyrgyz Republic global shipments during 2018. Also shown is the percentage share each export category represents in terms of overall exports from Kyrgyz Republic. Kyrgyz Republic’s top 10 exports accounted for four-fifths (78.7%) of the overall value of its global shipments.

(i) Gems, precious metals: US$679.8 million (40.2% of total exports)
(ii) Mineral fuels including oil: $139.3 million (8.2%)
(iii) Knit or crochet clothing, accessories: $137.2 million (8.1%)
(iv) Ores, slag, ash: $124.6 million (7.4%)
(v) Vegetables: $61.9 million (3.7%)
(vi) Copper: $53.7 million (3.2%)
(vii) Cotton: $34.2 million (2%)
(viii) Machinery including computers: $34 million (2%)
(ix) Vehicles: $33.2 million (2%)
(x) Dairy, eggs, honey: $33 million (2%)

4. In 2017, 39.6% of Kyrgyz Republic exports by value were delivered to the United Kingdom, 16.1% to Russian Federation (Russia) and 13% to Kazakhstan. Kyrgyz Republic shipped much smaller percentages to North America (0.2%) and Africa (0.1%).

5. Halal products represent a potential to diversify out of minerals, textile and traditional agricultural goods. Kyrgyz Republic wants to enter the $1.1 trillion market of halal products. Russia ranks sixth in the consumption of such products, Kazakhstan purchases a lot of halal products, and Tajikistan decided to refuse the import of meat products that do not meet halal standards.

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2 Trade Map, Fitch Solutions.
6. “Kyrgyz Republic cannot stand aside, it is necessary to enter these markets and promote our products. A project for the delivery of 500 tons of lamb according to halal standards was signed with Iran, and 56 tons have already been exported. In total, 12 enterprises have the appropriate certificates in Kyrgyz Republic according to Artem Novikov, Minister of Economy of Kyrgyz Republic.³

7. The Islamic Development Bank and Islamic Corporation for the Development of the Private Sector will provide $380,000 grant to Kyrgyz Republic to finance feasibility study of a halal meat park in Kyrgyz Republic.⁴

8. The Kyrgyz Republic has not maximized the benefits under the European Union’s Generalized System of Preferences Plus (GSP+). In 2016, 8% (EUR 6 million) of total European Union (EU) imports from Kyrgyz Republic qualified for trade preferences under GSP+, but only 4% (EUR 3.2 million) out of total EU imports from Kyrgyz Republic effectively used GSP+ preferences. EU imports from Kyrgyz Republic under GSP+ are concentrated on edible fruits and nuts (41% of total EU imports from Kyrgyz Republic under GSP+). The overall GSP+ preferences utilization for Kyrgyz Republic in 2016 was 53%, increasing to 62.6% in the first two quarters of 2017.⁵

9. There is still room for increased utilization, just using the examples of Armenia and the Philippines, recent recipients of GSP+. In the first year, Armenia’s utilization rate was around 90% in 2015 reaching close to 97% in 2017. The Philippines’ utilization rate was around 70% on the first year it received GSP+ in 2014.

10. Kyrgyz Republic’s low utilization rate can be attributed to several factors. Kyrgyz Republic exporters, accustomed to selling to neighboring countries, have limited knowledge of European tastes and preferences and the general consumer behavior. Small and Medium-sized Enterprises (SME) can utilize the services of business intermediaries to bridge this gap. Dutch Centre for the Promotion of Imports from Developing Countries (CBI) is part of the Netherlands Ministry of Foreign Affairs. The CBI identifies opportunities in the European market and translates them into practical actions for exporters. By supporting SMEs in developing countries to enter the European market, the CBI promotes these countries’ integration into global value chains.⁶ Conversely, the Kyrgyz Republic government has approved the Concept for Development of Business Service Centers for 2019–2022, to provide a range of services including capacity building and training for SMEs and entrepreneurs.

11. At a more technical level, there is a need to develop an accreditation system in line with international standards (ISO standards) to ensure the adherence to the rule of origins of products being exported to EU. Through targeted technical assistance, the EU helps Kyrgyz Republic benefit more efficiently from GSP+. In practice, Kyrgyz Republic has already started benefiting from the Partnership Instrument (PI), an EU tool established to improve economic diplomacy and trade relations with third countries. The PI is enhancing trade facilitation policies through the

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³ https://halalfocus.net/central-asia-countries-to-increase-exports-of-halal-products/
⁴ https://akipress.com/news:618453:Kyrgyzstan_to_get_380,000_grant_for_feasibility_study_of_a_halal_meat_park/
TAIEX (Technical Assistance and Information Exchange) instrument of the European Commission.\(^7\)

12. The country would need a comprehensive range of services and a functioning support system for existing and potential exporters to meet the necessary buyers’ requirements. First and foremost, Kyrgyz Republic companies have to upload requirements into the Registered Exporter (REX) a system of certification of origin of goods that applied in the Generalized System of Preference (GSP) of the EU since 1 January 2017. It is based on a principle of self-certification by economic operators who will make out themselves so-called statements on origin. To be entitled to make out a statement on origin, an economic operator will have to be registered in a database by competent authorities. The economic operator will become a “registered exporter”.\(^8\)

13. Joining the Eurasian Economic Union (EEU) in 2015 has already yielded positive benefits. Exports to EEU countries show more diversification relative to other markets. In 2016, exports to the EEU grew mainly in mineral water, food products and agriculture raw materials, and chemical industry products. In 2017 growth was primarily in textile, textile products and shoes, as well as in food products and agricultural raw materials.\(^9\)

14. There are, however, continuing challenges in exporting to both the EU and EEU markets. A 2018 International Trade Center (ITC) survey of exporters revealed that over half of them face obstacles in complying with trade related regulations or procedures usually in the form of Non-Tariff Measures (NTM) or more commonly known as Non-Tariff Barriers (NTB). The NTM Business Survey in Kyrgyz Republic finds 54% of micro and small enterprises and 59% of medium-size enterprises reported having difficulties with NTMs. In contrast, 75% of large companies are affected, which reflects their larger volume of business. Around 74% of exporters of manufactured goods and 70% of exporters of agricultural goods still see the EU as the main export market but it is also in this market that Kyrgyz Republic exporters encounter the greatest number of NTM obstacles.

15. Overall, 81% of the burdensome NTM cases reported by Kyrgyz Republic exporters are technical measures. Technical measures include quality standards, safety, production processes and sanitary requirements. NTMs are official regulations implemented by authorities in the exporting or importing country. Procedural obstacles (POs) on the other hand are hindrances that companies face due to the manner in which the regulations are applied or implemented.

16. Very often exporters face difficulties with a given NTM regulation not only because the rules are strict and complex to comply with, but also—and at times only—because of related POs, particularly conformity assessment. In Kyrgyz Republic, 72% of the examples of NTMs exporters considered burdensome are difficult solely because of POs, such as time delays, insufficient facilities and administrative hurdles or high fees. Most of these POs occur inside Kyrgyz Republic. Most of the difficulties faced by agricultural exporters are technical measures applied by importing partner countries. EEU technical requirements tend to be more stringent than Kyrgyz Republic

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\(^{7}\) Ibid


ones. These include requirements related to food safety issues, such as limits for residues or contamination by certain substances, hygiene practices, transportation and storage conditions.\(^\text{10}\)

17. Government has recently approved the Kyrgyz Republic Food Security and Nutrition Program 2019–2023, which will help improve Kyrgyz Republic’s nutritional status, ensure consistency of food supplies to the domestic market and improve export performance through compliance with export market consumer protection standards.

18. Most companies are unable to meet major international quality standards, such as Hazard Analysis and Critical Control Point (HACCP) and ISO 22000. Complying with these standards requires significant upgrades to companies’ production infrastructure and changes in quality management systems. The small scale of most Kyrgyz Republic exporters and their limited resources makes this difficult to do.

19. There is potential for improvement in the Kyrgyz Republic trade environment, particularly at the procedural level. Among recommendations, the ITC survey calls for the upgrading of domestic quality infrastructure and the enforcing of quality compliance. Kyrgyz Republic should, for example, strengthen the capacity of local laboratories to perform required testing and certification.

20. To address strengthening of the capacity of local laboratories, the government has recently obtained accreditation for the Kyrgyz Republic Center of Accreditation (KCA) to the International Laboratory, metrology, accreditation, and Accreditation Cooperation Multi Recognition Arrangement (ILAC MRA), which will enhance product standardization and harmonization with EU and EEU access conditions.

21. The ILAC MRA provides significant technical underpinning to the calibration, testing, medical testing and inspection results and provision of proficiency testing programs of the accredited conformity assessment bodies that in turn delivers confidence in the acceptance of results.

22. Accreditation is the independent evaluation of conformity assessment bodies against recognized standards to carry out specific activities to ensure their impartiality and competence. Through the application of national and international standards, government, procurers and consumers can have confidence in the calibration and test results, inspection reports and certifications provided.

23. Government should also streamline the process for export licenses, permits and certificates of origin and strengthen the capacity of SMEs to comply with international market access requirements and to proactively respond to customer demands access to trade and market intelligence is critical to export success.

24. Kyrgyz Republic exporters lack the resources and the skills to acquire and process trade-related information—placing them at a disadvantage compared with competitors in other economies. The results of the ITC NTM survey should contribute to optimizing existing policies and processes, in particular with a view to supporting deeper regional integration within the EEU.

\(^\text{10}\) Kyrgyzstan: Company Perspectives an ITC Series on Non-Tariff Measures.2018.
25. Extensive transport, warehouse and logistics networks are the bedrock of moving goods across borders. Central Asia, in general, has been the nexus of trade for centuries and China’s Belt and Road Initiative (BRI) will finance the necessary infrastructure to pave the way for Kyrgyz Republic products to become part of the global value chain.

26. BRI-funded road projects with total costs of $1.13 billion aim to improve connectivity inside Kyrgyz Republic in the directions of north-south and east-west. Simultaneously, these projects are parts of the so-called Central Asia Regional Economic Cooperation (CAREC) corridors which have been designed to improve the transportation links in Central Asia and connect the region with Peoples’ Republic of China (PRC), South and West Asia, and Europe.\(^\text{11}\)

27. The Government has approved the Program for the Creation and Development of Trade and Logistics Centers for agricultural products in the Kyrgyz Republic for 2019–2023 which will help reduce storage, distribution and transportation costs for agricultural producers.

28. To expand access to international freight resources, the government enacted legislation to introduce 5 level of Freedom of Air based on the tenets on an Open Sky policy. Open Skies is an international policy concept that calls for the liberalization of the rules and regulations of the international aviation industry—especially commercial aviation—in order to create a free-market environment for the airline industry. The net effect is to provide Kyrgyz Republic exporters more choices to air freight their products to international markets.

29. Fitch Solutions quantified the logistics risk and the table below shows how the country fares against its neighbors.

<table>
<thead>
<tr>
<th>Country</th>
<th>Logistics Risk Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Georgia</td>
<td>54.9</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>59.5</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>54.1</td>
</tr>
<tr>
<td>Armenia</td>
<td>49.9</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>34.7</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>38.8</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>38.0</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>43.1</td>
</tr>
<tr>
<td>Regional Average</td>
<td>46.6</td>
</tr>
</tbody>
</table>

100 = Lowest risk; 0 = Highest risk

Source: Fitch Solutions Operational Risk Index. Date last reviewed: March 17, 2019

30. The World Bank Doing Business ranks over 190 countries using around 10 indexes to measure the ease of doing business and cost to firms of business regulations.

\(^{11}\) Mogilevski, Roman, Kyrgyzstan and the Belt and Road Initiative 2019, University of Central Asia. https://www.ucentralasia.org/Content/Downloads/UCA-IPPAWP50_Kyrgyzstan%20and%20Belt%20Road%20Initiative_ENG.pdf
World Bank Doing Business Measures

<table>
<thead>
<tr>
<th>Indicator Set</th>
<th>What is Being Measured</th>
</tr>
</thead>
<tbody>
<tr>
<td>Starting a business –</td>
<td>Procedures, time, cost and minimum capital to open a new business</td>
</tr>
<tr>
<td>Dealing with construction permits</td>
<td>Procedures, time and cost to build a warehouse</td>
</tr>
<tr>
<td>Getting electricity</td>
<td>Procedures, time and cost required for a business to obtain a permanent electricity connection for a newly constructed warehouse</td>
</tr>
<tr>
<td>Registering property</td>
<td>Procedures, time and cost to register commercial real estate</td>
</tr>
<tr>
<td>Getting credit –</td>
<td>Strength of legal rights index, depth of credit information index</td>
</tr>
<tr>
<td>Protecting investors</td>
<td>Indices on the extent of disclosure, extent of director liability and ease of shareholder suits</td>
</tr>
<tr>
<td>Paying taxes</td>
<td>Number of taxes paid, hours per year spent preparing tax returns and total tax payable as share of gross profit</td>
</tr>
<tr>
<td>Trading across borders –</td>
<td>Number of documents, cost and time necessary to export and import</td>
</tr>
<tr>
<td>Enforcing contracts</td>
<td>Procedures, time and cost to enforce a debt contract</td>
</tr>
<tr>
<td>Resolving insolvency –</td>
<td>The time, cost and recovery rate (%) under bankruptcy proceeding</td>
</tr>
</tbody>
</table>

31. In 2019, the “Ease of Doing Business” index developed by the World Bank ranked the Kyrgyz Republic 70th in the world while Kazakhstan and Russian Federation ranked 28th and 31st respectively; the Kyrgyz Republic scored relatively well in factors such as starting a business and registering property but had low scores for enforcing contracts and getting electricity.

32. One of these 10 indexes is Trading Across Borders, which measures the cost of exporting and importing in terms of time and documentary requirements. The table below shows a degree of improvement in the last three years.

<table>
<thead>
<tr>
<th>Trading Across Borders: Kyrgyz Republic</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time to export; Border compliance (hours)</td>
<td>27</td>
<td>20</td>
<td>5</td>
</tr>
<tr>
<td>Cost to export; Border compliance (USD)</td>
<td>485</td>
<td>445</td>
<td>10</td>
</tr>
<tr>
<td>Time to export Documentary compliance (hours)</td>
<td>24</td>
<td>21</td>
<td>21</td>
</tr>
<tr>
<td>Cost to export documentary compliance (USD)</td>
<td>190</td>
<td>145</td>
<td>110</td>
</tr>
</tbody>
</table>

Source: World Bank Doing Business Series

33. These investments in physical infrastructure can be complemented by “soft” investments in the form of trade policies. Adopting an open skies policy promotes competition in air transport of goods. Membership in international organizations such as World Trade Organization, World Customs Organization implies a harmonization of customs regulation, standards, certification and tariffs that help countries' trade policies to become more open and predictable.\(^{12}\)

B. Foreign Direct Investment

34. In 2016, Foreign Direct Investment (FDI) totaled $813.9 million, led by manufacturing at $251 million, followed by financial services at $178 million with PRC and Russian Federation as the lead investors at $301.3 million and $291.5 million, respectively. In 2017, FDI was $616.8 million with the manufacturing as leading sector. PRC continued to be the number one investor at $303 million, followed by Russian Federation at $98.6 million and Kazakhstan at $46.9 million.

In 2018, FDI was $569.7 million with manufacturing continuing to be the leading sector and PRC and Russian Federation as the leading investors.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Foreign Direct Investments</th>
<th>China</th>
<th>Russia</th>
<th>Manufacturing Sector from all countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$813.9M</td>
<td>$301M</td>
<td>$291.5M</td>
<td>$251M</td>
</tr>
<tr>
<td>2017</td>
<td>$616.8M</td>
<td>$303M</td>
<td>$98.6M</td>
<td>$186M</td>
</tr>
<tr>
<td>2018</td>
<td>$569.7M</td>
<td>$245M</td>
<td>$123M</td>
<td>$266M</td>
</tr>
</tbody>
</table>

Source: Investment Promotion and Protection Agency (IPPA)

35. Statistics provided by the Investment Promotion and Protection Agency (IPPA) of the Kyrgyz Republic are encouraging as it showed an increasing number of investments in the non-mineral sector, a policy recommendation under the ADB’s Second Investment Climate Improvement Program (ICIP II). A preliminary list of projects for 2019 showed investments in manufacture of aluminum radiators for home heating, meat and dairy processing plant, yarn and glove manufacturing, cashmere processing, recycling of plastic and rubber waste. Estimated investments were around $85 million.

36. The OECD FDI index measures the restrictiveness of a country’s FDI rules by looking at four main types of restrictions: Foreign equity restrictions; Discriminatory screening or approval mechanisms; Restrictions on key foreign personnel and Operational restrictions.\(^{13}\)

37. The average OECD FDI index is 0.06 with the Kyrgyz Republic at 0.08, right behind Switzerland but putting it ahead of the United States, Norway, Russian Federation and Kazakhstan and PRC.

38. According to Moody’s Investors Service, the credit profile of the Kyrgyz Republic (B2 stable) highlights the economy’s vulnerability to swings in gold output and remittances. Furthermore, the government’s significant debt burden, which Moody's estimated reached 57% of GDP in 2018, is relatively high level for a small economy with limited access to external funding.

39. In addition, the country’s institutional frameworks are weak, particularly with regard to control of corruption and the rule of law, while domestic political tensions remain a risk despite a degree of stability in recent years.\(^{14}\)

40. The United Nations Conference on Trade and Development (UNCTAD) 2016 Investment Policy Review (IPR) of the Kyrgyz Republic assessed the country’s potential to attract FDI and to diversify flows beyond the extractive sector. The report highlighted location advantages, challenges as well as recent policy reforms that have contributed to shaping the country's trade and investment regimes.\(^{15}\)

41. The UNCTAD report found that the legal framework for FDI is in line with international best practices, as laws exist that make the investment climate more favorable than in the past for foreign companies. Application of these laws, however, is inconsistent, which can cause problems for and deter foreign investors. In addition, government activities, including demands for

\(^{13}\) [http://www.oecd.org/investment/fdiindex.htm](http://www.oecd.org/investment/fdiindex.htm)


renegotiation of operating contracts, invasive and time-consuming audits, levies of large retroactive fines, and disputes over licenses, are impediments to foreign investment.

42. The investment climate in the Kyrgyz Republic is characterized by considerable risk and uncertain time horizons. Widespread corruption and uneven application of the rule of law continue to pose major obstacles for the business community. The judicial system is not fully independent, and each sector of government experiences capacity and resource shortages. Weak enforcement undermines the legal and regulatory framework, especially with regard to intellectual property rights.16

43. This arbitrary implementation of the law has resulted in numerous lawsuits by foreign investors, with the case of Kumtor Mines as the most prominent one in 2016, Kyrgyz Republic law enforcement officials raided the Bishkek headquarters of Kumtor Gold on accusations of financial irregularities, and prevented expatriate officials from exiting the country. A local court issued an injunction to preclude the company from making financial transfers to Centerra, and later fined Kumtor for nearly $98 million in alleged environmental damages. Shortly afterward, Centerra elevated its dispute with state corporation Kyrgyz Republic Allyn over environmental, dividend, and land use claims to a court of international arbitration. In September 2017, the two parties negotiated a settlement without a decision from the arbitration court, but subsequent changes in the Kyrgyz Republic government have delayed full implementation of the agreement and made yet another renegotiation possible.

44. As of 2017, there were several other pending cases in international courts with possible claims of around $1 billion against the Kyrgyz Republic. This is a staggering amount that will seriously undermine the country’s financial resources if the judgment is against the Kyrgyz Republic.

45. Fitch Solutions published a ranking of countries, quantifying trade and investment risk. The table below reflects the perceived risk relative to other countries.

<table>
<thead>
<tr>
<th>Country</th>
<th>Trade and Investment Risk Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Georgia</td>
<td>70.9</td>
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<tr>
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<td>Kazakhstan</td>
<td>58.9</td>
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<td>Armenia</td>
<td>58.5</td>
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<td>Uzbekistan</td>
<td>53.1</td>
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<td>Kyrgyzstan</td>
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<td>Turkmenistan</td>
<td>39.4</td>
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<tr>
<td>Regional Average</td>
<td>53.4</td>
</tr>
</tbody>
</table>

100 = Lowest risk; 0 = Highest risk

Source: Fitch Solutions Operational Risk Index
Date last reviewed: March 17, 2019

46. Elevating cases to international courts are costly for both the government and the foreign investor. Mineral rich countries, such as Mongolia, are increasingly adopting Investor Grievance Mechanisms (IGM) to settle claims outside the court system. The World Bank Group has been

providing technical assistance to the Kyrgyz Republic to establish an IGM as well as to review its numerous bilateral and international investment treaties.

47. The Kyrgyz Republic is at a position to capitalize on three opportunities combined, i.e. the expanded market of the EEU, the low or zero tariff for around 6,000 products under GSP+ and the Belt and Road Initiative of PRC. Few countries are given these golden opportunities. A relatively open trade and investment regime is necessary but not sufficient to reap the benefits. The different government agencies have to elevate their capabilities and services for the private sector to capitalize on these.

48. IPPA is the government agency that should play the lead role as it is mandated to increase trade and investments. The IPPA was reconstituted a few years ago first under the Ministry of Economy and eventually under the Prime Minister's Office.

49. Attracting foreign direct investment is highly competitive considering the shrinking pool of foreign capital and the expanding needs from emerging markets. Investment promotion agencies in developing countries outmaneuver themselves by offering a myriad of fiscal and non-fiscal incentives, sometimes to the detriment of their respective country’s finances. Foreign investors, especially in labor-intensive industries, are aware of these so they extract as many concessions from developing countries.

50. In 2016, OECD conducted an assessment of IPPA’s performance and outlined a few recommendations.17

Recommendation 1: Strengthen investment policies and activities

51. This recommendation involved starting sector-specific investment promotion activities, establishing business linkage programs, and creating a new IPA. The first step was for the government to take a systematic approach to assessing sectors, and to designing and implementing investment promotion activities in these sectors. This would involve: (1) identifying priority sectors for the country; (2) analyzing global trends; (3) assessing the Kyrgyz Republic's strengths and weaknesses; (4) finding and addressing target investors; and (5) preparing investment promotion activities. It was recommended that this approach be included in a national investment strategy for the priority sectors selected.

Recommendation 2: Use garment and textile manufacturing as a pilot sector for investment promotion

52. Companies in the garment industry were facing competition challenges driven by the lack of a sector strategy, weak promotion, limited technical capacities, and outdated technology. Overall, the OECD recommended that the sector could be better supported by: (1) investment promotion activities; (2) a coherent sector strategy; (3) investments in mid-level technical skills and modernization of the vocational education and training (VET) system, for example through the Shvei Profi technical training center; and (4) the establishment of a garment cluster based around the Technopolis industrial park project.

2. **Government’s Sector Strategy**

53. To increase the export potential of the country and the competitiveness of domestic products on the world market, the government developed and approved the Export Development Program Development for 2019–2022. The Program identified sewing/garments, dairy, fruit and vegetable processing and green technologies as four priority sectors with quality infrastructure, access to finance, and export promotion strategies representing critical services.\(^\text{18}\)

54. To date, the government has not developed an equivalent strategic vision for investments, which is just as critical as the export development program. The IPPA’s own strategic plan will be based on this vision, which has not been articulated by the government in the last few years.

3. **ADB Sector Experience and Assistance Program**

55. The Investment Climate Improvement Programs (ICIP) I and II created a more attractive climate for private sector development in the Kyrgyz Republic by providing budget support to implement reforms to (i) increase and diversify financial products and services that better mobilize domestic savings; (ii) increase efficient private sector participation in physical and social infrastructure; (iii) diversify exports and export markets, and foreign direct investment; and (iv) increase the transparency and efficiency of public procurement, and reduce the costs of doing business. In 2018, the Central Asia Regional Economic Cooperation Improvement of Border Services Project upgraded facilities at two key border crossing points, one in Tajikistan and one in the Kyrgyz Republic, and introduced a single window system for tracking cargo to cut processing time and costs. The project will help boost the volume of trade within region.

56. Implementing the Integrated Trade Agenda in the Central Asia Regional Economic Cooperation Program was developed in February 2019 to adopt open trade policies and deepen customs cooperation covering areas such as WTO accession, trade policy review, economic diversification, trade institutions’ capacity building in policy coordination, expansion of trade services, promotion of digital trade and regional value chain development.

57. **Summary.** The Kyrgyz Republic is at a crossroads to capitalize on opportunities unavailable to most countries. With a relatively open and outward looking trade and investment regime, the responsibility is with the different government agencies at the national and local level to provide comprehensive resources and services in a consistent and transparent manner to increase and diversify exports and to attract non-mineral foreign direct investments.

\(^{18}\) The Kyrgyz Republic, Export Development Program 2019–2022.