

DEVELOPMENT COORDINATION

A. Major Development Partners: Strategic Foci and Key Activities

1. Official development assistance (ODA) accounted for about 35% of government expenditure on average during 2015–2019. The People's Republic of China is the country's largest partner, primarily supporting the transport and energy sectors. The Asian Development Bank (ADB) has the largest program among multilateral institutions in the country. As of 31 December 2020, ADB's ongoing portfolio consisted of 15 projects and 10 technical assistance (TA) operations totaling \$778.55 million, primarily in transport, energy, and education.
2. Key development partners support the Government of the Kyrgyz Republic in improving the country's business and investment climate. A synopsis of the main partners' key initiatives is in the table.
3. The 3-year extended credit facility of the International Monetary Fund concluded in April 2018. The facility, approved for about \$92.4 million in April 2015, supported fiscal management, strengthening of financial sector resilience, and enhancing confidence in the banking system. No new programs are planned. In 2020, \$120.9 million were provided in coronavirus disease (COVID-19) response support.
4. 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 World Bank's program consists of 17 projects in nine sectors totaling \$304.5 million, with water and energy accounting for 57%. The World Bank is also providing TA to build the health sector's public–private partnership (PPP) capacity, and IFC was the transaction advisor for the Hemodialysis Services and Central Laboratories projects.
5. The European Bank for Reconstruction and Development supports the growth and competitiveness of small and medium-sized enterprises (SMEs), the finance sector, and sustainable public infrastructure, including with private sector participation. The Small Business Support project 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.
6. In collaboration with the International Trade Centre, GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit) supports the Promotion of Sustainable Economic Development Program (2008–2017), which helps (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. GIZ supports technical and vocational education and training, while German development cooperation through KfW focuses on health, social protection, and energy efficiency with links to climate change.
7. The Islamic Development Bank supports infrastructure investments and 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.
8. The priorities of the Japan International Cooperation Agency (JICA) are agriculture, business promotion, and transport infrastructure to improve export competitiveness. 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); the improvement of laboratory services; and hazard analysis and critical control points training. JICA has also supported PPP training, and has assigned an investment promotion advisor to the Ministry of Economy's Investment Promotion Agency.

9. KfW is implementing the Rural Finance Program, which improves rural access to finance and financial services, including through TA to select financial institutions on optimization of the loan analysis process, focusing on simplifying of credit risk analysis of agriculture microenterprises and SMEs, risk mitigation, and improving staff capacity in agro-financial analysis. KfW, with IFC as the transaction advisor, financed the feasibility studies for the development of the Central Laboratory and Hemodialysis Unit project as a PPP arrangement—the only PPP successfully taken to the market as of August 2021.

10. The Swiss State Secretariat for Economic Affairs, through the Trade Promotion Program, is helping expand and diversify export trade, and improve the 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.

11. The European Union uses budget support for the rule of law, education, and integrated rural and sustainable development.

12. The United States Agency for International Development's Business Growth Initiative supports the 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.

13. The UK Foreign Commonwealth and Development Office (FCDO) is implementing the Policy Innovation Facility aimed to build capacity in Kyrgyzstan and Tajikistan to formulate and implement economic policy reforms. This initiative will develop a high-capacity facility to help the governments of both countries solve their strategic as well as some burning tasks in the following areas: trade and investment policy, private sector development, access to finance, business environment reforms, and support of key sectors. UK government is also funding the Governance in Action program, which addresses economic constraints in different sectors, supports national reforms and improves the Government and Parliament's ability to efficiently provide public services to its citizens. Some of the reforms in this Governance in Action program cover the e-commerce law, the investment strategy, and the investment code.

Major Development Partners

Development Partner	Project Name	Duration	Amount (\$ million)
Investment Promotion, Trade, and Business Climate			
ADB	Regional CAREC Improvement of Border Services	2013–2017	8.40
ADB	Second Vocational Education and Skills Development Project	2013–2019	20.00
EBRD	Small Business Support	2005–present	9.40
GIZ	Promotion of Sustainable Economic Development Program	2008–2019	23.00
IFC–DFID–SECO	Support to Regional Trade in Central Asia	2014–2019	
SECO	Investment Climate Advisory Services Project	2008–present	4.50
	Trade Promotion Program	2013–2017	2.50
	Economy and Employment	2014–2018	4.70
UNDP	Aid for Trade in Central Asia (funded by Government of Finland)	2015–2019	10.80
USAID	Business Growth Initiative	2014–2018	20.20
	Agro Horizon Project	2014–2018	22.00
World Bank	Central Asia Trade Logistics Project	2016–present	
	Integrated Dairy Productivity Improvement Project	2016–2020	5.10
Governance and Corruption			
World Bank	Audit and Financial Reporting Enhancement Project	2015–present	3.30
COVID-19 response support			
ADB	TA grant to procure emergency supplies through UNICEF (SDCC TA9550-REG)	2020	0.20
	ADB–UNDP joint socioeconomic study on the impact of the COVID-19 (TA 9624: Supporting Knowledge Solutions in Central and West Asian Countries)	2020	0.07
	COVID-19 emergency assistance project (medical supplies)	2020	20.00
	COVID-19 Response Countercyclical Facility (Kyrgyz Republic CPRO)	2020	50.00
	COVID-19 Response PBL	2020	50.00
	TA grant to support the Ministry of Finance to develop a rapid diagnostic assessment of debt management	2020	0.20
IMF	Rapid Financing Instrument.	2020	80.60
	Rapid Credit Facility.	2020	40.30
World Bank	Fast track COVID-19 facility emergency support to Kyrgyz Republic for purchase of medical supplies and equipment.	2020-2022	12.15
	Ongoing Enhancing Resilience in the Kyrgyz Republic Project	2020-2024	9.00
	Kyrgyz Republic Primary Care Quality Improvement Program (jointly with Swiss Development Cooperation, KfW)	2020-2025	37.00
FCDO	£544 million to support the WHO appeal to help vulnerable countries prepare and respond to COVID-19 and fund research for urgently needed vaccines, diagnostics, and treatments. Implementation of the Policy Innovation Facility to build the government's capacity to develop policy actions in trade and investment policy, private sector development, access to finance, business environment reforms, and support of key sectors; and the Governance In Action (GIA) program, which addresses economic constraints in different sectors, supports national reforms and improves the Government and Parliament's ability to efficiently provide public services to its citizens.	2020-2022	25.00
EU	Central Asia COVID-19 Crisis Response (CACCR) program	2020-2022	1.00
	Development of family-oriented community based social services for vulnerable families with children	2018-2021	1.20
UNDP	Supports multi-sectoral, equitable, and human rights-focused crisis response and COVID-19 recovery as part of a global coordinated United Nations response supporting the WHO Strategic Preparedness Response Plan and country-level response plans. Assists with strengthening the health system—e.g. procurement of health products and health waste management.	2020-2022	1.40
	Additional support through Global Fund mechanism to vulnerable populations (e.g. tuberculosis patients).	2020-2022	0.05
UNICEF	UNICEF (jointly with government, WHO, and ADB) will procure medical supplies, especially PPE. Reallocation of \$80,000 from ongoing GAVI Alliance funding for priority COVID-19 related supplies. Adapts and	2020-2022	5.50

Development Partner	Project Name	Duration	Amount (\$ million)
	implements home visiting program for doctors and nurses in Suzak and Nookat districts. Provides training of teachers in remote teaching and learning methodologies for Ministry of Education and Science.		
USAID	Local Health System Sustainability project	2020-2021	2.91
Russian Federation	Regional Cooperation Program: Technical Assistance for HIV and other infectious diseases in countries of Eastern Europe & Central Asia (Supply of test systems for the diagnosis of COVID-19 and other humanitarian aid for combating the spread of COVID-19)	2019-2021	1.06
Switzerland	Buying locally made PPE for MOH mobile units of Chui Oblast. Financing under ongoing projects to help private sector.	2020-2023	2.20

... = not available, ADB = Asian Development Bank, CAREC = Central Asia Regional Economic Cooperation, COVID-19 = coronavirus disease, CPRO = COVID-19 Pandemic Response Option, FCDO = UK Foreign, Commonwealth and Development Office, EBRD = European Bank for Reconstruction and Development, EU = European Union, GIZ = Deutsche Gesellschaft für Internationale Zusammenarbeit, IFC = International Finance Corporation, IMF = International Monetary Fund, JICA = Japan International Cooperation Agency, MOH = Ministry of Health, PBL = policy-based loan, PPE = personal protective equipment, PPP = public-private partnership, SDCC= Sustainable Development and Climate Change Department, SECO = Swiss State Secretariat for Economic Affairs, SME = small and medium enterprise, TA = technical assistance, TAS = Transaction Advisory Services, TBC = to be confirmed, UNDP = United Nations Development Programme, UNICEF = United Nations International Children's Emergency Fund, USAID = United States Agency for International Development, WHO = World Health Organization.

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

Sources: Inputs from development partners.

B. Institutional Arrangements and Processes for Development Coordination

14. The Development Partner Coordination Council is responsible for facilitating dialogue with the government. The council has 10 sectors, each chaired by an international financial institution. Key issues are discussed with the Prime Minister on a quarterly basis, while the development partners prepare sector priorities, policy dialogue, and project activities in close collaboration.

C. Achievements and Issues

15. The Ministry of Economy and Finance's Policy and Donor Coordination Division (PDCD) has started to coordinate development partner activities efficiently. 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

16. The development effectiveness of ODA-supported programs needs greater attention given the large share of ODA in government expenditures and the steady increase in the proportion of loans within ODA-supported programs. Capacity for economic and financial analyses, project implementation, and portfolio management needs to be improved. ADB is, as part of the ongoing policy dialogue, working closely with the Development Partner Coordination Council and the PDCD to ensure continued cooperation in addressing policy issues more systematically, improving institutional capacity, and enhancing government ownership of reforms to achieve greater development impact.

17. The Promoting Economic Diversification Program is aligned with the National Development Strategy of the Kyrgyz Republic for 2018–2040¹ and has been designed in coordination with other development partners and through formal institutional arrangements.

¹ Government of the Kyrgyz Republic. 2018. [National Development Strategy of the Kyrgyz Republic for 2018–2040](#). Bishkek.