

**BOARD
OF
DIRECTORS**

ASIAN DEVELOPMENT BANK

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**TECHNICAL ASSISTANCE TO THE KYRGYZ REPUBLIC
FOR SUPPORT TO THE NATIONAL STRATEGY FOR POVERTY REDUCTION**

The attached Report is circulated for the information of the Board. The President approved the technical assistance on 14 June 2000.

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ASIAN DEVELOPMENT BANK

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TECHNICAL ASSISTANCE

TO THE

KYRGYZ REPUBLIC

FOR

SUPPORT TO THE

NATIONAL STRATEGY FOR POVERTY REDUCTION

June 2000

CURRENCY EQUIVALENTS

(as of 5 May 2000)

Currency Unit	–	Som
Som1.00	=	\$0.0208
\$1.00	=	Som47.9937

ABBREVIATIONS

ADB	–	Asian Development Bank
FSU	–	former Soviet Union
GDP	–	gross domestic product
IMF	–	International Monetary Fund
NATSTATCOM	–	National Statistics Committee
NGO	–	Nongovernment organization
NSPR	–	National Strategy for Poverty Reduction
SCF	–	Save the Children Fund
SME	–	Small and medium enterprise
TA	–	Technical Assistance
UN	–	United Nations
UNDP	–	United Nations Development Programme
WB	–	World Bank

NOTES

- (i) The fiscal year of the Government ends on 31 December.
- (ii) In this report, "\$" refers to US dollars.

I. INTRODUCTION

1. The overarching mission of the Asian Development Bank (ADB) is to help its developing member countries achieve accelerated and irreversible reductions in poverty. After ADB's Board of Directors approved the Poverty Reduction Strategy,¹ the Country Programming Mission to the Kyrgyz Republic in February 2000 initiated discussions with the Government and other development partners to coordinate efforts to effectively address poverty reduction. The Government welcomed the initiative and requested assistance in formulating a national strategy for poverty reduction (NSPR). The tripartite Fact-Finding Mission, including ADB, the International Monetary Fund (IMF), and the World Bank (WB), was fielded in February 2000 to determine the scope and implementation arrangements for supporting the NSPR.² This technical assistance (TA) proposal is based on the findings of the Mission and the understandings reached with the Government.³

II. BACKGROUND AND RATIONALE

2. Prior to the breakup of the former Soviet Union (FSU), the Kyrgyz Republic enjoyed full employment and a working, centrally-planned economic system, including a system of subsidies and transfers amounting to 10 percent of gross domestic product (GDP). The Kyrgyz economy was closely tied to that of the rest of the FSU, with production specialization and trade connections determined in Moscow. The resulting pattern of production and trade had little relation to economic efficiency or to comparative advantage, but it sustained the country's development and allowed an extensive social protection system, which provided comprehensive social security allowances and free universal access to social services by its population, similar to levels provided by middle income countries. With the break up of the FSU, the Kyrgyz Republic suffered a severe shock from the disruption of trade, much of its industrial capital lost its economic rationale, the country lost the subsidies it had formerly enjoyed, and it faced the task of developing democratic and market institutions in a vacuum of knowledge and experience. As a result of these difficulties, in common with other FSU states, the Kyrgyz Republic experienced a severe depression. GDP declined sharply from 1990 to 1997, before recovery began. However, the impact of the Russian crisis that erupted in 1998 generated a new contraction, which has affected all aspects of the Kyrgyz society. The decline of state enterprises and collective farms has led to widespread open or disguised unemployment. The social protection system became unsustainable under the steep economic and fiscal crisis. The rapid deterioration in economic activity and social sector financing resulted in a loss of prior welfare gains, as shown by the acute rise in mortality, child malnutrition, school dropouts, and unemployment rates.

¹ R179-99: *Fighting Poverty in Asia and the Pacific: The Poverty Reduction Strategy of the Asian Development Bank*, 19 October.

² The Mission consisted of K. Kodera, Director for Europe and Central Asia Region, World Bank (WB); M. Mudahar, Resident Representative, WB; N. Cooke, Senior Country Officer, WB; P. Rodriguez, Economist, WB; P. Goldman, Social Protection Specialist, WB; V. Staines, Economist, WB; K. Scott, Economist, WB; H. Trines, Mission Leader, Deputy Division Chief, IMF; I. Zaidi, Resident Representative, IMF; M. Farahbaksh, Economist, IMF; R. York, Economist, IMF; J. Kozack, Economist, IMF; J.C. Alexander, Mission Leader, Senior Programs Officer, ADB; and I. Ortiz, Economist, ADB. The wrap-up meeting with the Government was held on 21 February 2000.

³ The TA first appeared in *ADB Business Opportunities* in April 2000.

3. Poverty measurements⁴ show a steady increase in poverty in the Kyrgyz Republic, from 51.9 percent of the population in 1996 to 63.6 percent in 1998. The Government estimates that in 1996 20 percent of households could not meet basic food needs (2,100 calories/day); in 1998, the incidence rose to 23 percent of the country's households. Poverty is income based, and mainly found in rural areas, where economic activity is limited and community services less available than in urban areas. Additionally, the severity of poverty has increased in recent years as families have been depleting savings and/or becoming indebted as transitional coping strategies.

4. A first assessment of the determinants of poverty indicates major causes are (i) the disruption of the economic activity after the break-up of the FSU, (ii) inadequate targeting of social expenditures given the current fiscal constraints, and (iii) governance issues. Like other FSU countries, the Government addressed the first years of the transition by implementing key reforms, including privatization, corporate governance, bank restructuring, and reforming of the social sectors. These reforms were a necessary but not sufficient condition for recovery; the process needs deepening and further assistance is necessary. Most importantly, the pattern of economic growth had a limited impact on poverty. Economic growth came about through capital-intensive, foreign investments in mineral extraction, which failed to generate employment on a wide basis and to diversify economic activity. As a result of this noninclusive pattern of growth, the gap between rich and poor widened; income distribution worsened; and fiscal collections remained insufficient to meet social needs and public consumption. These problems exacerbated the social costs of the transition. A key issue remains to determine a new economic rationale to promote socially-inclusive growth in the context of current resource constraints; this is, to strategically identify the post-transition development model of the Kyrgyz Republic.

5. In response to this situation, the Government decided to have poverty reduction as the predominant element in the first years of its Kyrgyzstan 2000-2010 Strategy. In the context of the country's participation in the Comprehensive Development Framework, a first workshop for development partners was held in Bishkek during 15-16 February 2000.⁵ The workshop focused on the assessment of poverty in the Kyrgyz Republic, and was attended by Government, external funding, and civil society institutions such as private sector and nongovernment organizations (NGOs). A major finding of the workshop was that considerable research and coordination was needed to prepare an NSPR. In response to the Government's request for assistance, ADB, IMF, WB, and the United Nations Development Programme (UNDP) agreed to support the Government's production of an NSPR, which would present a coherent strategic vision for poverty reduction.

6. Detailed discussions were held on the needs for preparing the NSPR. A collaborative division of labor was agreed by which IMF will provide support to the NSPR on the macroeconomic framework and external debt management, and ADB, UNDP, and WB in different aspects of poverty, sustainable pro-poor policies, and governance issues, ensuring that the NSPR will be built through participatory processes. Specifically, WB will produce a growth study, a social sector assessment, a report on inputs and outputs in agriculture, an

⁴ Based on aggregate per capita expenditure for consumption, developed by the National Statistics Committee (NATSTATSCOM) under TA from the WB.

⁵ The WB has selected the Kyrgyz Republic as one of 10 pilot countries for the Comprehensive Development Framework.

energy strategy report, a financial sector study, a natural resource management paper, a poverty update, and a women's access to land case study. UNDP is assisting the Government through ongoing decentralization and poverty reduction policies and programs, including work on local governments, microenterprise, gender, and civil society issues. Aside from the regular economic and project reports, WB has completed yearly poverty assessments, a private sector review, a fiscal sustainability study, and a water sector report. ADB has assisted the Kyrgyz Republic with a study of women and children, an education master plan, a regional household survey, a study on regional trade, an environment assessment, and various advisory TA studies associated with the ADB portfolio.

7. The TA will address ADB's priority concerns of poverty, sustainable growth, gender, and governance. It will be complemented by a paper on environment and poverty in the Kyrgyz Republic, to be prepared by ADB's Environment Division. The TA will incorporate findings from earlier ADB-financed TAs, and will draw on lessons learned from United Nations agencies, particularly IMF, International Labour Organization (ILO), UNDP, United Nations Children's Fund (UNICEF), and WB; the European Bank for Reconstruction and Development (EBRD); and bilateral funding agencies.

8. The TA will support a unified, comprehensive strategy for poverty reduction, which will be the basis of a partnership agreement between the Government and ADB, and will guide the future direction of ADB's portfolio in the Kyrgyz Republic.⁶

III. THE TECHNICAL ASSISTANCE

A. Objective

9. The TA will support the Government in preparing an NSPR. Specifically, the TA will assist the Government to (i) better understand the profile of the poor, and (ii) identify obstacles to effective poverty reduction. It will also support the Government in consultative and participatory processes, to ensure that the vision for poverty reduction addresses civil society's demands and its results are shared by the Kyrgyz people. Appendix 1 presents the logical framework for the TA.

B. Scope

10. The ability of the Government to effectively reduce poverty will depend on strategically prioritized interventions to (i) address sustainable, employment generating pro-poor growth; (ii) improve governance; and (iii) encourage critical targeted interventions for the poor. Accordingly, the TA will have three foci.

11. The first focus is poverty analysis. The TA will assist the Government in identifying and understanding who are the poor and what are the causes of poverty. Statistical and survey support will assist the Government to develop community-level rapid appraisals in order to understand the functioning of the informal economy and dynamics of poverty in the rural areas. Reports on community development, children, and gender will be provided, as follow-up

⁶ IMF and WB are mandated to present a poverty reduction strategy paper, summarizing the process and conclusions of the NSPR, to their own boards of directors.

of earlier ADB work. A report on labor markets will provide the Government a better understanding of the dynamics of the public, private, formal, and informal employment, and recommendations for fostering employment in the Kyrgyz Republic.

12. The second focus is sustainable, employment generating pro-poor growth. The TA will assist the Government in identifying barriers to sustainable, pro-poor growth, and provide recommendations for the generation of employment and sustainable income to households. The recommendations will include policy interventions and proactive interventions such as small and medium enterprises, particularly in regions where policies alone may not be sufficient to develop economic activity. Given the limited size of the domestic market, funds have been allocated to study the obstacles to export growth.

13. The third focus is governance. Inadequate public management practices comprise part of the barrier to poverty reduction and sustainable pro-poor growth. The TA will assist the Government to review intergovernmental transfers, recommend ways to improve targeting and transparency in budgeting and resource allocation and collection at the local levels, and identify good practices in combating corruption.

14. The TA will produce eight reports to support the NSPR, on the following subjects: community development; children in the Kyrgyz Republic; women in the Kyrgyz Republic; labor markets; SME development and microfinance; an export promotion assessment; a fiscal decentralization analysis; and anticorruption policies. Other outputs of the TA include surveys, workshops, and forums.

C. Cost Estimates and Financing Plan

15. The total cost of the TA is estimated at \$706,000 equivalent, comprising \$451,000 in foreign exchange cost and \$255,000 equivalent in local currency cost. The Government has requested ADB to finance \$600,000 equivalent, covering the entire foreign exchange cost and \$149,000 equivalent in local currency costs. The TA will be financed by ADB on a grant basis from the ADB-funded TA Program. The details of the cost estimates and financing plan are in Appendix 2.

16. The Government has agreed to meet the remaining costs of \$106,000 equivalent, which will cover remuneration, per diem, and domestic travel costs of counterpart staff; office space, supplies, and supporting staff; and heating and electricity for the office space provided.

D. Implementation Arrangements

17. The Ministry of Finance (MOF) will be the Executing Agency for the TA. The Ministry will act as national coordinator to oversee the NSPR and has nominated staff for the purpose. The working group for the NSPR includes members of Government ministries and agencies, and stakeholder representatives (NGOs, the private sector, and academia).

18. International and domestic consultants will be recruited individually by ADB in accordance with ADB's *Guidelines on the Use of Consultants* and other arrangements for the engagement of domestic consultants. A total of 21 person-months of consulting services are required (14 of international and 7 of domestic services). Consultants will have skills in the

following areas: (i) anthropology/sociology, (ii) labor markets, (iii) SMEs and microfinance, (iv) trade promotion, (v) fiscal decentralization, (vi) anticorruption policies, and (vii) logistics. Outline terms of reference are presented in Appendix 3. ADB will coordinate the individual consultants.

19. The TA will be implemented within six months, from June to December 2000. The initial consultants to be recruited will be the anthropologist/sociologist, SME and microfinance specialist, trade and export promotion specialist, and fiscal decentralization expert. To adequately incorporate the findings of the surveys, the labor market and anticorruption policy specialists will be recruited three months later. The logistics domestic consultant will be hired as needed.

20. The consultants will conduct three surveys (Appendix 3). Under the supervision of ADB, in coordination with the Government and other funding agencies, the consultants will organize workshops and forums to discuss the findings of the papers and abstract policy recommendations. The Government requested ADB to expedite TA processing and implementation given the urgent need of inputs into the NPRS. Following this, the Government will consolidate all the studies and draft the NSPR.

IV. THE PRESIDENT'S DECISION

21. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance, on a grant basis, to the Government of the Kyrgyz Republic, in an amount not exceeding the equivalent of \$600,000 for the purpose of Support to the National Strategy for Poverty Reduction, and hereby reports such action to the Board.

TECHNICAL ASSISTANCE FRAMEWORK

Design Summary	Targets	Monitoring Mechanisms	Assumptions and Risks
<p>Goal:</p> <p>To support the Government in preparing a national strategy for poverty reduction (NSPR) and better coordinate efforts among funding agencies.</p>	<ul style="list-style-type: none"> Identify successful strategies and policies and elaborate and agenda for action to effectively reduce poverty Contribute to the Government's NSPR Coherent and complementary assistance from external funding agencies 	<ul style="list-style-type: none"> Policies addressing structural problems of poverty An adequate NSPR is elaborated by the Government Asian Development Bank (ADB) signing a partnership agreement coherent with the NSPR and complementary to activities of other funding agencies 	<ul style="list-style-type: none"> Policy makers encountering difficulties in applying good practices to particular scenarios Low Government capacity Poor or stereotyped analysis of policies Successful coordination of external assistance Delays in implementation of Technical Assistance
<p>Objectives:</p> <p>Assist the Government to:</p> <p>(i) to better understand the profile of the poor</p> <p>(ii) to identify obstacles and bottlenecks for effective poverty reduction, and</p> <p>(iii) in consultative and participatory processes, assure that the vision of poverty reduction addresses demands of civil society and the vision's results are shared by the Kyrgyz people.</p>	<ul style="list-style-type: none"> Produce surveys, studies, and statistical analysis to understand the poor and the functioning of the formal and informal economy at the local levels Produce studies and recommendations for <ul style="list-style-type: none"> (i) sustainable, employment generating pro-poor growth targeted interventions for the poor, and (ii) improved governance Participative workshops and forums 	<p>The following studies completed:</p> <ul style="list-style-type: none"> Poverty update statistical analysis World Bank (WB) Rapid appraisals and surveys (ADB) Notes on children, gender, and community development (UN/ADB) Note on women access to land (WB) Macroeconomic framework (IMF) Growth study (WB) Labor market study (ADB) Agricultural study (WB) Natural resource management paper (WB) Financial sector study (WB) 	<ul style="list-style-type: none"> Effective coordination and agreement on policy priorities among external agencies Policy makers encountering difficulties in applying good practices to particular scenarios Poor or stereotyped analysis of policies Reaching consensus on priorities Securing participation of adequate Government staff and civil society

Design Summary	Targets	Monitoring Mechanisms	Assumptions and Risks
		<ul style="list-style-type: none"> • Small and medium enterprise (SME) and microfinance study (ADB) • Energy strategy note (WB) • Export promotion assessment (ADB) • Social sector assessment (WB) • Note on environment and poverty (ADB) • Fiscal decentralization analysis (ADB) • Note on anticorruption policies (ADB) • Workshops, forums, and conference feedback 	
Outputs: (i) Background studies (ii) Forums	<ul style="list-style-type: none"> • Rapid appraisals and surveys • Notes on children, gender, and community development (with UN) • Labor market study • SME and microfinance study • Export promotion assessment • Fiscal decentralization analysis (ADB) • Note on anticorruption policies (ADB) • Workshops, forums and conferences 	<ul style="list-style-type: none"> • Detailed workplans • Reports and continuous feedback to ADB • Quality of conference discussions • Participation into workshops and forums • Workshop feedback 	<ul style="list-style-type: none"> • Working with time constraints • Poor or stereotyped analysis of policies • Accommodating regional diversity • Reaching consensus on priorities
Inputs: (i) Developing member countries and ADB staff time (ii) Consulting services	<ul style="list-style-type: none"> • Convene consultants, Kyrgyz focal agencies, and external funding agencies 	<ul style="list-style-type: none"> • Detailed workplans • Reports and frequent feedback to ADB • Participation in working meetings and forums 	<ul style="list-style-type: none"> • Insufficient time/resources • Securing participation of adequate Government staff

COST ESTIMATES AND FINANCING PLAN
(\\$)

Item	Foreign Exchange	Local Currency	Total Cost
A. Asian Development Bank Financing^a			
1. Consultants			
a. Remuneration			
i. International	325,000	0	325,000
ii. Domestic	0	7,000	7,000
b. Travel			
i. International	50,000	0	50,000
ii. Domestic	0	2,000	2,000
2. Studies, Surveys, Reports	5,000	0	5,000
3. High Level Forum and Workshops	0	70,000	70,000
4. Miscellaneous Administration and Support Costs	0	60,000	60,000
5. Contingencies	71,000	10,000	81,000
Subtotal (A)	451,000	149,000	600,000
B. Government Financing			
1. Counterpart Staff Remuneration	0	25,000	25,000
2. Office Accommodation and Utilities	0	21,500	21,500
3. Studies, Surveys, Data, and Reports	0	30,000	30,000
4. Transportation and Drivers	0	11,250	11,250
5. Miscellaneous Administration and Support Costs	0	18,250	18,250
Subtotal (B)	0	106,000	106,000
Total	451,000	255,000	706,000

Source: Staff estimates

^a Funded from ADB-funded TA program.

(Reference in text: page 4, para. 15)

OUTLINE TERMS OF REFERENCE

1. The Technical Assistance (TA) will assist the Government to prepare a national strategy for poverty reduction (NSPR). The TA will focus on poverty analysis, strategies to promote sustainable pro-poor growth, and governance.
2. The Asian Development Bank (ADB) will recruit individual international and domestic consultants in accordance with the ADB's *Guidelines on the Use of Consultants* and other arrangements for the engagement of domestic consultants. A total of 21 person-months of consulting services are required (14 of international and 7 of domestic services). The consultants will have the following skills: (i) anthropology/sociology, (ii) labor markets, (iii) small and medium enterprise (SME) and microfinance, (iv) trade promotion, (v) fiscal decentralization, (vi) anticorruption policies and (vii) logistics. All consultants are required to have experience in transition economies in order to draw policy comparisons and bring the best practices into the discussion of the NSPR for the Kyrgyz Republic. The consultants will liaise with the Government, external funding agencies, and other ADB initiatives such as the environmental study, to assist building a coherent NSPR.
3. Consultants will provide an inception report in after one week, consisting of a draft outline of the proposed contents for the reports (one for each) and the list of people met. The reports will focus on obstacles to poverty reduction and provide recommendations on the priorities to be addressed. Progress drafts will be sent every two weeks to ADB. The final reports will be in English and Russian. Completion of work on time is indispensable for the success of the TA.
4. The consultants will hire support services to assist in translation and the preparation of surveys and reports. During the first week of service, each international consultant will develop specific terms of reference and timeframes for each domestic consultant.

A. International Consultants

1. Anthropologist/Sociologist (3.5 person-months)

5. The consultant will develop a profile of the life of the poor and their coping strategies and provide recommendations to strengthen policies on community development, gender equity, and children for effective poverty reduction in the Kyrgyz Republic. The expert will build on existing studies by other funding agencies, and coordinate priority issues to be addressed with ADB, Save the Children Fund (SCF), United Nations Development Programme (UNDP), United Nations Children's Fund (UNICEF), and World Bank (WB). The purpose of the community level focus groups and participatory rapid assessments is to complement information not available through the national statistics –such as the homeless, insecurity, child contribution to household work, unreported seasonal labor, and the existence of adoption practices. The survey should also provide a picture of the informal economy at the local levels, including the extent of under- and unemployment, seasonal labor, strategies for tax avoidance, and the use of barter in local transactions. Special attention will be devoted to private transfers, indebtedness, barter transaction costs, savings, and household finance (including unofficial payments to government officials). The consultant will also explore whether nomadism is becoming a household survival strategy, and its implications. The consultant is

expected to split the in-country work in two parts. During the first part, the consultant will compile information, design participatory rapid assessments, and organize the implementation and data analysis. During the second part, the consultant will write four reports: (i) a summary of survey results, (ii) a note on community development, in coordination with UNDP and relevant funding agencies; and (iii) two update notes, one on children and another on gender in the Kyrgyz Republic, in coordination with SCF, UNDP, UNICEF, and other relevant agencies. The consultant will provide an inception report after week 1, to include a draft outline of the reports (one for each), and progress reports every two weeks. The notes and reports will focus on obstacles to poverty reduction and include recommendations on the priorities to be addressed. The final reports will be in English and Russian. Twelve person months of domestic support are estimated for the activities. The consultant will also coordinate activities with National Statistical Committee (NATSTATSCOM) in order to strengthen local capacity.

2. Labor Market Specialist (2 person-months)

6. The labor market specialist will produce a labor market study of the Kyrgyz Republic. The specialist will use data produced by the Government, statistician, and anthropologist/sociologist, and available studies from the International Labor Office (ILO), United States Agency for International Development (USAID), and other relevant organizations. The specialist will analyze the realities of the labor market, reconciling official indicators with data from surveys. Attention will be given to sectoral segmentation, real wage dynamics and employment in the public and private sectors, associated professional benefits, regional disparities, changes in participation rates (especially for women), existence of child labor, extent of under- and unemployment, and the informal sector. The expert will provide a profile of the unemployed, underemployed, and self-employed, and the incidence of seasonal labor. The expert will also address the obstacles that existing labor regulations/distortions may be imposing on employment, and will provide recommendations to improve labor market operations. Additionally, the expert will provide recommendations on possible interventions in active and passive labor market policies, such as skills development and entrepreneurship programs. The expert will be assisted by a domestic consultant. The expert will provide an inception report after week 1, to include a draft outline of the study, and progress reports every two weeks. The final reports will be in English and Russian.

3. SME and Microfinance Specialist (3 person-months)

7. The specialist will identify key bottlenecks to SMEs' growth in both rural and urban areas and provide key recommendations to promote SME development including: (i) policy interventions and reduction of barriers to entry; and (ii) proactive interventions, particularly in regions where policies may not suffice to develop economic activity. Specifically, the specialist will document the work and assessment that have been done by the Government and other international financial institutions or bilateral agencies in the area of SME development and microfinance. If necessary, the specialist will carry out additional surveys or diagnostic studies to improve understanding of the constraints faced by SMEs, including taxation regimes; central and local government obstructions (licensing, red tape); financing; and lack of know-how (risk assessment, marketing skills, accounting, business plans, etc.). The specialist will also assess the working of existing microcredit schemes and the impact they have had on SME development, and will provide recommendations on the appropriate vehicles to use for SME financing in the Kyrgyz context. In particular, the specialist will document policy interventions in

the SME development area that have been successful in other transition and developing economies. The specialist will produce a report, and provide specific recommendations on how SMEs should be promoted, including key domestic policies, public investments (if any), and key reforms in public sector procedures or institutions. The specialist will be supported by a domestic assistant. The specialist will provide an inception report after week 1, to include a draft outline, and progress reports every two weeks. The final report will be in English and Russian.

4. Trade and Export Promotion Specialist (2 person-months)

8. The trade specialist will (i) identify key bottlenecks to Kyrgyz exports and explore priority strategies to increase market access and ease transit of Kyrgyz products in neighboring countries, (ii) identify potential markets for Kyrgyz agricultural and manufacturing products and possible instruments that the authorities could use to foster trade to those areas (other than costly infrastructure), and (iii) quantify the benefits it will bring to those employed in agriculture or manufacturing sectors. The trade specialist is expected to split the in-country work in two parts. During the first part, the specialist will compile information from Government and funding agencies, particularly ADB, the European Bank for Reconstruction and Development (EBRD), International Monetary Fund (IMF), and WB; design a survey; and organize the implementation and data analysis of the survey. The survey will assess institutional constraints to exports, such as transportation costs (including direct cost as well as official and unofficial fees); infrastructure bottlenecks; financing constraints; bureaucratic procedures (internal and external, i.e., certificates of origin); and the working of the customs administration and the custom union (Belarus, Kazakhstan, and Russia). During the second part, the trade specialist will write a report including a summary of survey results, complemented with an assessment of competitiveness (real exchange rate management of bilateral currencies, relative wages, etc.); an assessment of current trade policies (exports taxes, duties); and an evaluation of the potential benefits of joining the World Trade Organization (WTO). The report should address appropriate public and private strategies for negotiating broad access to Kyrgyz products, particularly in neighboring countries, and key domestic reforms that should be taken to facilitate exports (value added tax refunds, custom procedures, etc.). The specialist will provide an inception report after week 1, to include a draft outline, and progress reports every two weeks. The final report will be in English and Russian. Four person months of domestic support are estimated for the activities. The specialist will also coordinate activities with NATSTATSCOM in order to strengthen local capacity.

5. Fiscal Decentralization Expert (2.5 person-months)

9. The expert will review intergovernmental transfers and recommend how to improve transparency in resource allocation. The expert will build on existing studies on decentralization or public finance prepared by ADB, Technical Assistance for the Commonwealth of Independent States, UNDP, and WB, focusing on unstudied aspects such as subsidies, in-kind payments of taxes and social funds, the adequacy of revenue collection and allocation at the local levels, and administrative obstacles to poverty reduction at the local levels. Specifically, the expert will make subsidies explicit by analyzing actual budgetary allocations from national to provincial and from provincial to lower administrative levels; analyze the effectiveness of existing or proposed subsidy programs in meeting equity or

efficiency objectives (i.e., who benefits); and evaluate central, regional, and district capacities for strategic planning and resource allocation, including appropriate targeting, intra-regional transfers, transparency with regard to the amount and source of financing of subsidies, and the techniques for selecting public investments. The expert is expected to split the in-country work in two parts. During the first part, the expert will compile information, design a survey, and organize the implementation and data analysis. Six person months of domestic support are provided for to gather information at the needed levels. During the second part, the expert will analyze data and write a summary report including key recommendations for improved collection, resource allocation, targeting, and transparency in intergovernmental finance. The expert will provide an inception report after week 1, to include a draft outline, and progress reports every two weeks. The reports will focus on obstacles to poverty reduction and include recommendations on the priorities to be addressed. The final reports will be in English and Russian.

6. Anticorruption Policy Specialist (1 person-month)

10. The specialist will work with available resources and will prepare a study on best practices in combating corruption, with a focus on transition economies. The study should provide useful cases relevant to the Kyrgyz Republic. The study should be comprehensive, covering from public administration and public resource management to privatization and regulation and deregulation issues. The study will summarize information on the Kyrgyz Republic, including the findings of the anthropologist/sociologist, SME and trade specialists, and work of relevant Government and external agencies (particularly the EBRD). The consultant will provide an inception report after week 1, to include a draft outline, and progress reports weekly. The reports will focus on obstacles to poverty reduction and include recommendations on the priorities to be addressed. The final report will be in English and Russian. The specialist will be supported by a domestic assistant.

B. Domestic Consultant (7 person-months)

11. ADB or its Resident Mission will hire seven person-months of logistical support to assist in the preparation of the NSPR, including support to the Government on coordinating activities, workshops, and participatory processes. The consultants will have a perfect command of English and Russian, including excellent writing skills in both languages. They will have solid experience in working with external agencies and a background in poverty reduction policies and projects. Activities will include, but not be limited to, coordination of workshops and forums, drafting of speeches, preparation of background documents, and liaison with the Government, external funding agencies, and civil society organizations.