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Kyrgyz Republic: Sustainable Fiscal Management and Governance Improvement Program (Subprogram 2)

Project Name
Sustainable Fiscal Management and Governance Improvement Program (Subprogram 2)
Project Number
58215-001
Country / Economy

- Kyrgyz Republic

Project Status
Approved
Project Type / Modality of Assistance

- Loan

Source of Funding / Amount

Loan 4800-KGZ: Sustainable Fiscal Management and Governance Improvement Program (Subprogram 2)

Source	Amount
Concessional ordinary capital resources lending	US$ 70.00 million

Sustainable Development Goals

- SDG 1.5
- SDG 5.5
- SDG 13.2
- SDG 13.a
- SDG 16.5
- SDG 16.6
- SDG 17.1

Sector / Subsector

- Public sector management /

Gender
Effective gender mainstreaming
Description
The program's development impact is aligned with national priorities on economic wellbeing, social welfare, governance, and sustainability. Its outcome is a fiscally sound, transparent, and climate responsive PFM system, underpinned by credible governance institutions. Subprogram 2 strengthens upstream fiscal discipline - through improved fiscal risk, debt, and procurement management - and translates it into better spending outcomes by embedding gender and climate considerations across budgeting and public investment fiscal planning. Stronger project appraisal, prioritization, and portfolio oversight improve allocative efficiency and alignment with national objectives, while SOE governance and risk-based procurement reforms reinforce accountability, competition, and market discipline. In parallel, modernized tax policy and administration broaden the revenue base through digitalization, compliance, and equity, creating sustainable fiscal space. These reforms are anchored by strengthened integrity frameworks - operationalizing the national anticorruption strategy, combatting corruption, conflict of interest and asset declaration regimes, and AML/CFT measures - ensuring that fiscal gains are protected by transparency and rule based enforcement. Together, the reforms enhance resilience to macroeconomic and climate shocks, mobilize financing for mitigation and adaptation, and strengthen investor confidence. The results framework endorsed under Subprogram 1 is preserved, with Subprogram 2 deepening impact without altering agreed outcomes, ensuring coherence across the program series.

The program adopts a programmatic approach that enables the Kyrgyz Republic to implement complex and institutionally demanding sequenced reforms in a comprehensive and flexible manner. Implemented through sequenced policy-based operations supported by ADB technical assistance, the program strengthens institutional capacity and sustains policy dialogue to ensure reforms are firmly embedded in government systems, while remaining aligned with other ADB and development partner operations. At the government's request, program financing has been increased from the indicative $50 million to $70 million, primarily to meet development financing requirements essential for accelerating progress in priority areas. The increase reflects strong government ownership and the expanded scope of reforms, ensuring deeper and more comprehensive governance improvements and reinforcing the program's responsiveness and impact. A post program partnership framework will sustain reform momentum through continued policy dialogue, targeted technical assistance, and selective investment support, maintaining alignment with the original programmatic framework and theory of change.

Project Rationale and Linkage to Country/Regional Strategy
In June 2024, the Asian Development Bank (ADB) approved a programmatic operation for the Kyrgyz Republic to advance critical fiscal management and governance reforms. The program supports public financial management (PFM), tax policy and administration, and state-owned enterprise (SOE) governance, while strengthening legal and institutional measures for transparency and accountability. Subprogram 2 builds on Subprogram 1 by deepening reforms aligned with the National Development Strategy 2018-2040 and ADB's Country Partnership Strategy 2023-2027. It reinforces fiscal discipline through measures to improve budget planning, public investment management (PIM), procurement, fiscal risk management, and debt management, while enhancing SOE oversight and disclosure, and strengthening tax policy with modernizing tax administration. Critically, Subprogram 2 introduces landmark anticorruption measures - a cornerstone of governance reforms - including the adoption of legislation on combating corruption and asset declaration, and, alongside the submission to Parliament of a conflict-of-interest law, supported by stronger oversight and enforcement mechanisms. The program integrates digitalization, regional cooperation, climate, gender equality and inclusion, and transparency as cross-cutting themes aligned with Strategy 2030 Midterm Review. At the government's request, program financing has been increased to address development financing needs essential for sustaining reform momentum and accelerating progress in priority areas. The increase reflects strong government ownership and the expanded scope and ambition of reforms under Subprogram 2, supporting strengthened governance and measurable improvements in fiscal sustainability and transparency.
Impact

Project Outcome

Description of Outcome
Progress Toward Outcome

Implementation Progress

Description of Project Outputs
Status of Implementation Progress (Outputs, Activities, and Issues)
Geographical Location
Nation-wide

Poverty Reduction and Inclusion

Poverty Reduction and Inclusion Classification
Summary Poverty and Social Analysis
IPI - Indirect poverty reduction and inclusion

Safeguard Categories

Environment
C
Involuntary Resettlement
C
Indigenous Peoples
C

Summary of Environmental and Social Aspects

Environmental Aspects
Involuntary Resettlement
Indigenous Peoples

Project Participation and Engagement

During Project Design
During Project Implementation

Contact

Responsible ADB Officer
Rahemtulla, Hanif A.
Responsible ADB Department
Sectors Department 3
Responsible ADB Division
Public Sector Management and Governance Sector Office (SD3-PSMG)
Executing Agencies
Ministry of Finance

Timetable

Concept Clearance
04 May 2026
Fact Finding
08 Apr 2026 to 08 Apr 2026
MRM
-
Approval
30 Jun 2026
Last Review Mission
-
Last PDS Update
30 Jun 2026

Project Page	https://www.adb.org//projects/58215-001/main
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