



Kyrgyz Republic: Promoting Economic Diversification Program - Subprogram 3

Project Name	Promoting Economic Diversification Program - Subprogram 3								
Project Number	52225-004								
Country / Economy	Kyrgyz Republic								
Project Status	Approved								
Project Type / Modality of Assistance	Grant Loan								
Source of Funding / Amount	<table> <tr> <td>Grant 0853-KGZ: Promoting Economic Diversification Program - Subprogram 3</td><td></td></tr> <tr> <td>Asian Development Fund</td><td>US\$ 25.00 million</td></tr> <tr> <td>Loan 4221-KGZ: Promoting Economic Diversification Program - Subprogram 3</td><td></td></tr> <tr> <td>Concessional ordinary capital resources lending</td><td>US\$ 25.00 million</td></tr> </table>	Grant 0853-KGZ: Promoting Economic Diversification Program - Subprogram 3		Asian Development Fund	US\$ 25.00 million	Loan 4221-KGZ: Promoting Economic Diversification Program - Subprogram 3		Concessional ordinary capital resources lending	US\$ 25.00 million
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Concessional ordinary capital resources lending	US\$ 25.00 million								
Strategic Agendas	Environmentally sustainable growth Inclusive economic growth								
Drivers of Change	Gender Equity and Mainstreaming Governance and capacity development Partnerships Private sector development								
Sector / Subsector	Agriculture, natural resources and rural development / Agricultural policy, institutional and capacity development Education / Technical and vocational education and training Public sector management / Economic affairs management - Public expenditure and fiscal management - Social protection initiatives								
Gender Equity and Mainstreaming	Effective gender mainstreaming								
Description	<p>Subprogram 3 is the final subprogram in a programmatic series that was approved in 2019 with the financing of \$50 million for subprogram 1. The program was originally designed with two subprograms. However, in 2021, it was restructured resulting in an additional subprogram and a new reform area. The proposed subprogram 3 remains fully aligned with the original program outcome and outputs, which supports the implementation of the long-term National Development Strategy of the Kyrgyz Republic for 2018-2040 (NDS 2040) and, more recently, the medium-term National Development Program of the Kyrgyz Republic until 2026.</p> <p>The government plans to accelerate its economic diversification efforts and has prioritized the implementation of structural reforms to improve (i) trade and investment competitiveness, (ii) small and medium-sized enterprises (SMEs) development, (iii) infrastructure development (including through public-private partnerships [PPPs]), (iv) industry-based skills development, and (v) fiscal management and social protection. These efforts will enable the economy and the population to be more resilient to exogenous shocks in the future and will help improve the economy's medium-to-long-term trajectory. This subprogram will continue to support the government in implementing complex reforms against the backdrop of significant macroeconomic challenges and constitutional changes by ensuring that planned reform efforts are supported. The government's overarching objective is to diversify the Kyrgyz economy away from over-reliance on gold production and remittance-led consumption. The scope and coverage of the program are even more important given the continuum of shocks to the economy that began in March 2020 with the onset of the coronavirus disease (COVID-19) pandemic, continued with post-pandemic disruptions in global supply chains in late 2021, and the Russian invasion of Ukraine in February 2022, which is adversely impacting the economy through increased food and fuel prices, lower remittances, fewer job opportunities, trade disruptions, and low investor confidence.</p>								
Project Rationale and Linkage to Country/Regional Strategy	<p>The Kyrgyz Republic has experienced periods of economic stability and growth interrupted by frequent economic recessions that have conflated hardship inducing external shocks, serious social and political instability, and disruptions to medium-term reform and institutional development plans. This boom-bust pattern helps explain the lack of income per capita convergence of the country with upper-middle countries in the last few decades. By the end of the third quarter of 2021 GDP entered a positive growth territory following the COVID-19 pandemic. However, economic recovery is again at risk in 2022 because of the continuum of shocks to the economy which has driven up prices for food and fuel and reduced migrant labor remittances and exports. It is expected that the pace of the global economic recovery will slow down and weigh in on the Kyrgyz Republic's economic growth, which will lead to increasing hardships among the poor population.</p> <p>The program will continue to support the government's implementation of structural reforms for ensuring economic diversification, resilience, and economic recovery</p>								
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								
Safeguard Categories									
Environment	C								

Involuntary Resettlement	C
Indigenous Peoples	C

Summary of Environmental and Social Aspects	
Environmental Aspects	
Involuntary Resettlement	
Indigenous Peoples	
Stakeholder Communication, Participation, and Consultation	
During Project Design	
During Project Implementation	
Responsible ADB Officer	Gafurov, Bobir Baisovich
Responsible ADB Department	Central and West Asia Department
Responsible ADB Division	Public Management, Financial Sector and Trade Division, CWRD
Executing Agencies	Ministry of Finance

Timetable	
Concept Clearance	30 Mar 2023
Fact Finding	16 May 2022 to 25 May 2022
MRM	21 Jul 2022
Approval	23 Sep 2022
Last Review Mission	-
Last PDS Update	23 Sep 2022

Grant 0853-KGZ

Financing Plan		Grant Utilization			
	Total (Amount in US\$ million)	Date	ADB	Others	Net Percentage
Project Cost	25.00	Cumulative Contract Awards			
ADB	25.00	-	0.00	0.00	%
Counterpart	0.00	Cumulative Disbursements			
Cofinancing	0.00	-	0.00	0.00	%

Loan 4221-KGZ

Financing Plan		Loan Utilization			
	Total (Amount in US\$ million)	Date	ADB	Others	Net Percentage
Project Cost	25.00	Cumulative Contract Awards			
ADB	25.00	-	0.00	0.00	%
Counterpart	0.00	Cumulative Disbursements			
Cofinancing	0.00	-	0.00	0.00	%

Project Page	https://www.adb.org/projects/52225-004/main
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