



ASIAN DEVELOPMENT BANK

Kyrgyz Republic: Investment Climate Improvement Program - Subprogram 3

Project Name	Investment Climate Improvement Program - Subprogram 3
Project Number	41544-084
Country	Kyrgyz Republic
Project Status	Closed
Project Type / Modality of Assistance	Grant
Source of Funding / Amount	Grant 0393-KGZ: Investment Climate Improvement Program - Subprogram 3 concessional ordinary capital resources lending / Asian Development Fund US\$ 22.00 million
Strategic Agendas	Inclusive economic growth
Drivers of Change	Governance and capacity development Private sector development
Sector / Subsector	Education - Technical and vocational education and training Finance - Banking systems and nonbank financial institutions - Central banking systems - Finance sector development - Inclusive finance - Small and medium enterprise finance and leasing Industry and trade - Small and medium enterprise development - Trade and services Public sector management - Economic affairs management - Law and judiciary - Public expenditure and fiscal management
Gender Equity and Mainstreaming	Effective gender mainstreaming
Description	Subprogram 3 of the Investment Climate Improvement Program (ICIP) is the last subprogram of the program cluster approved in 2008. The program continues to address binding constraints to private investment and to sustainable economic growth and employment generation by (i) reducing the cost of regulatory compliance, (ii) improving access to finance, (iii) enhancing workers' skills, and (iv) facilitating public-private partnerships.
Project Rationale and Linkage to Country/Regional Strategy	Long-term development prospects in the Kyrgyz Republic_ particularly for higher wages, employment, and profitable investment opportunities_ depend on diversifying into higher-value-added products and opening up new markets. The government still faces challenges in providing market-supporting mechanisms that foster private sector development. Among the constraints are (i) a challenging business environment that still discourages many entrepreneurs and investors from expanding, investing, or lending in the country; (ii) an increasing shortage of qualified workers that prevents firms from moving up the production ladder; and (iii) expensive, short term finance that is concentrated in few sectors.
Impact	Sustainable economic growth and employment creation

Project Outcome

Description of Outcome	Improved investment climate and business environment
Progress Toward Outcome	
Implementation Progress	
Description of Project Outputs	Cost of regulatory compliance reduced Access to finance improved Workers' skills enhanced Public-private partnerships facilitated
Status of Implementation Progress (Outputs, Activities, and Issues)	
Geographical Location	Kyrgyz Republic

Safeguard Categories

Environment	C
Involuntary Resettlement	C
Indigenous Peoples	C

Summary of Environmental and Social Aspects

Environmental Aspects	The program of economic reforms aims to reduce cost of regulatory compliance, improve access to finance, enhance workers skills and facilitate PPPs. It is anticipated that the proposed policy-based grant will have no adverse environmental impacts. Nevertheless, it is advised that the PPP facility considers the ADB prohibited investment activities list as provided in Appendix 5 of the SPS2009. Category C is being proposed for the Sub-program.
Involuntary Resettlement	The proposed policy-based grant includes country-wide policy reforms to improve investment climate and employment opportunities. Program activities do not include civil works with land acquisition.
Indigenous Peoples	The proposed policy-based grant includes country-wide policy reforms to improve investment climate and employment opportunities. The reforms shall be applied across regions and are not expected to have adverse impacts on any specific minority ethnic groups in the country.

Stakeholder Communication, Participation, and Consultation

During Project Design	ADB missions were fielded in the Kyrgyz Republic in January and May 2013 to design subprogram 3 of the Investment Climate Improvement Program. The missions discussed the program of reforms with government bodies (including Office of the President, Office of the Prime Minister, Ministry of Finance, Ministry of Economy, State Tax Service, State Customs Service, the National Bank, the Agency of Vocational Education, the Deposit Protection Agency, the Single Window Center on Foreign Trade), business associations, private businesses, financial institutions, and development partners. An open round table was held on 29 May 2013. ADB mission visited Osh City on 30 May 2013 to better understand the business environment in the southern part of the country and regional constraints to private investment. About 160 people attended an ADB-sponsored PPP forum to discuss the required reforms for improving the enabling environment for PPPs in light of international experience.
During Project Implementation	ADB missions fielded in May 2013 discussed the program of reforms with business associations, private businesses, and development partners. An open round table was held on 10 February 2014 to better understand the expected impact of the reforms.

Business Opportunities

Consulting Services	There will be no recruitment of consultants. The policy-based grant is to be provided in the form of budget support.
Procurement	There will be no procurement. The policy-based grant is to be provided in the form of budget support.

Responsible Staff

Responsible ADB Officer	Barreto, Ruben B.
Responsible ADB Department	Central and West Asia Department
Responsible ADB Division	Public Management, Financial Sector and Trade Division, CWRD
Executing Agencies	<i>Ministry of Economy 106, Chui Prospect, Bishkek, Kyrgyz Republic</i>

Timetable

Concept Clearance	-
Fact Finding	20 May 2013 to 31 May 2013
MRM	24 Feb 2014
Approval	19 Jun 2014
Last Review Mission	-
Last PDS Update	20 Mar 2014

Grant 0393-KGZ

Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
19 Jun 2014	19 Jun 2014	10 Jul 2014	31 Dec 2014	-	08 Sep 2014

Financing Plan		Grant Utilization			
	Total (Amount in US\$ million)	Date	ADB	Others	Net Percentage
Project Cost	22.00	Cumulative Contract Awards			
ADB	22.00	19 Jun 2014	22.00	0.00	100%
Counterpart	0.00	Cumulative Disbursements			
Cofinancing	0.00	19 Jun 2014	22.00	0.00	100%

Project Page	https://www.adb.org/projects/41544-084/main
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