

DEVELOPMENT COORDINATION

A. Major Development Partners: Strategic Foci and Key Activities

1. Support to private sector development, to financial sector development, and to the vocational education system are increasingly important activities of major development partners in the Kyrgyz Republic. The table provides information about key development projects in these sectors. Many policy reforms under subprogram 3 reinforced the project outcomes of development partners, as explained in the Policy Matrix.

Major Development Partners

Development Partner	Project Name	Duration	Amount (\$ million)
Private Sector Development			
ADB	Investment Climate Improvement Program	2008–2014	58.7
ADB	Tax Administration Reform and Modernization Project	2007–2013	10.0
ADB	Regional CAREC Improvement of Border Services Project	2013–2017	8.4
ADB-JFPR	Women's Entrepreneurship Development Project	2013–2016	1.5
EBRD	Several investment projects in the real and financial sectors	...	247.2
GIZ	Promotion of Sustainable Economic Development Program	2008–2017	23.0
GIZ	Supporting Regional Economic Cooperation	2005–2014	5.0
IFC	Several investment projects in the real and financial sectors	...	23.0
IFC-SECO	Central Asia Regional Program on Investment Climate	2013–2015	4.5
JICA	"One Village One Product" Project	2012–2015	...
SECO	Trade Promotion Programme	2013–2015	2.5
SECO	Organic Cotton Production and Trade Promotion	2013–2016	2.0
USAID	Local Development Program	2010–2013	27.0
USAID	Reforma Project	2011–2014	7.7
World Bank	Programmatic Development Policy Operation	2012–2014	25.0
Financial Sector			
ADB	Loan to Kyrgyz Investment and Credit Bank for SME Finance	2012–2014	10.0
EBRD	Several investments in banks and MFOs
GIZ	Promotion of Microfinance in Central Asia	2008–2013	3.3
IFC-SECO	Azerbaijan-Central Asia Financial Infrastructure Project	2013–2015	4.3
IFC-SECO	Central Asia Micro and Responsible Finance Project	2013–2016	4.2
IFC-SECO	Housing Microfinance Advisory Services Project	2011–2015	1.2
IMF	Technical assistance	2011–2014	...
KfW	Housing Microfinance Program	2013–2015	10.5
KfW	Rural Finance Program	2013–2016	15.8
World Bank	Financial Sector Development Project	2013–2018	8.9
Vocational Education Sector			
ADB	Second Vocational Education and Skills Development Project	2012–2017	20.0
GIZ	Vocational Training and Employment Promotion Project	2009–2013	10.3

... not available.

ADB = Asian Development Bank; CAREC = Central Asia Regional Economic Cooperation; EBRD = European Bank for Reconstruction and Development; GIZ = Deutsche Gesellschaft für Internationale Zusammenarbeit; IFC = International Finance Corporation; IMF = International Monetary Fund; JFPR = Japan Fund for Poverty Reduction; JICA = Japan International Cooperation Agency; MFO = microfinance organization; SECO = Swiss State Secretariat for Economic Affairs; SME = small and medium-sized enterprise; USAID = United States Agency for International Development.

Sources: Development partners' websites.

2. The International Monetary Fund entered into an agreement with the government for an SDR66 million extended credit facility for June 2011–June 2014, with the primary purpose of achieving macroeconomic stability. Under this program, the government is introducing additional revenue and expenditure measures to make its fiscal position sustainable in the medium term. The government is also reforming the banking system to, among other things, improve the framework for resolution of troubled banks, implement asset recovery measures for fraudulent transactions, and strengthen banking supervision.

3. The World Bank is implementing a program of economic reforms to support the business environment linked to \$25 million in budgetary support. The development policy operation focuses on improving governance and anti-corruption efforts, public financial management, the business inspection regime, and the energy and banking sectors. In 2013 the World Bank approved the Financial Sector Development Project (\$8.9 million) to enhance financial sector stability and increase access to financial services. It will improve the legal, regulatory, and supervisory framework for the banking sector; expand financial services via Kyrgyz Post Office's network; and modernize the movable collateral and debt resolution regimes.

4. As of 31 December 2013, the Kyrgyz Republic portfolio of the International Finance Corporation (IFC) was valued at \$30 million, and included investments in banking, microfinance, real and infrastructure sectors. The IFC program on the investment climate is partially funded by the Swiss State Secretariat for Economic Affairs (SECO), and has supported financial sector development, improvements to the business regulatory framework with a focus on tax administration and inspections and strengthening of corporate governance. To improve financial disclosure of real sector companies, a project on regulatory reform and tax transparency was launched in 2011. The Central Asia Micro and Responsible Finance Project is improving the governance, transparency and capacity of microfinance organizations, and strengthening their legal and regulatory framework. The Azerbaijan-Central Asia Financial Infrastructure Project is strengthening the private credit bureau's institutional capacity. The Housing Microfinance project is helping microfinance organizations develop housing microfinance products for lower-income populations. An IFC public–private partnership regional advisory program provided assistance to the privatization of Zalkar Bank.

5. The operations of the European Bank for Reconstruction and Development (EBRD) in the Kyrgyz Republic focus on fostering the private sector, in particular through support for small and medium-sized enterprises (SMEs), strengthening of the financial sector, and developing critical infrastructure. As of May 2013, its portfolio comprised 44 projects totaling €190 million, of which 75% are in the private sector. The projects cover energy; infrastructure; financial institutions, including microfinance institutions; and industry, commerce and agribusiness. EBRD is providing technical assistance (TA) to the Council for Business Development and Investment, and conducting policy dialogue to address constraints to investment and business development. Its Advice for Small Businesses program facilitates skill transfers to the local consulting industry and improves the knowhow and management of SMEs. Since 2005, the program—which is funded by the governments of Switzerland and United States—supported 650 small and medium enterprises in getting technical advice.

6. The GIZ Promotion of Sustainable Economic Development Program supports economic structural change through: (i) reform policies (advisory services and training in economics, investment promotion, trade supervision, policy making to promote innovation, and bank supervision); (ii) value chains (expert advisory services and local subsidies for product development, marketing, certification, cooperation, and quality improvements); (iii) local economic development (platforms and networks to improve competitive advantages and business climate in regions outside Bishkek); and (iv) access to finance (support for qualified savings and loan cooperatives and to the National Bank of the Kyrgyz Republic). The program

supported the design of the government's Industry Development Strategy 2013–2015. The Support of Regional Economic Cooperation in Central Asia Project aims to improve economic cooperation and trade among the Central Asian countries, in particular by simplifying cross-border trade clearance using the single window approach. The Vocational Training and Employment Promotion Project is improving job placement services for adolescents and young adults to help employers to fill vacancies.

7. The Japan International Cooperation Agency is implementing its “One Village One Product” project in 80 communities with the aim of using community resources to develop specialty products and vitalize local communities. The Japan Center for Human Development has a project that develops the capacity of business persons in the Kyrgyz Republic.

8. KfW is implementing—in coordination with IFC—the Housing Finance Program through investment of €7 million and €0.5 million in TA for development of housing finance products for low and middle income households. The Rural Finance program includes an €11 million credit line and €1 million in TA to support SMEs in rural areas outside Bishkek and Osh.

9. SECO continues to support private sector development in the Kyrgyz Republic, particularly through funding of (i) the Trade Promotion Programme, implemented by the International Trade Centre, which aims to expand and diversify export trade and improve quality management of SMEs, particularly in the textile and clothing industry; (ii) the Organic Cotton Production and Trade Promotion Project, implemented by Helvetas, that promotes organic farming and supports the trade of organic cotton in the domestic and international markets; and (iii) the other projects being implemented by EBRD and IFC (paras. 4 and 5).

10. The United States Agency for International Development Local Development Program aims to stimulate economic growth at the local level by (i) enhancing the business and investment environment; (ii) increasing municipal finance and capital investment; (iii) improving competitiveness of sectors with high economic potential, including agriculture and processing; (iv) upgrading workforce education; and (v) implementing national-level economic and administrative reforms. The Reforma Project is supporting institutional capacity development of selected government agencies, as well as economic reforms to improve the trade and investment climate and expand economic opportunities, particularly by simplifying tax administration, licensing and inspection regimes, and the legal framework for the mining sector.

B. Institutional Arrangements and Processes for Development Coordination

11. The Development Partner Coordination Council promotes coordination among major development agencies in the Kyrgyz Republic. This approach has facilitated joint reviews and dialogue with the government. The council has thematic groups for private sector development and financial sector development. A website (www.donors.kg) provides information on development projects. ADB's resident mission in the country is an active partner in the Council.

C. Achievements and Issues

12. Subprogram 3 of the Investment Climate Improvement Program (i) uses a policy-based approach; (ii) is government-led, and uses the country's budget framework; and (iii) has coordinated reform design and implementation using existing institutional arrangements for development coordination. For example, the working groups for private sector development and financial sector development prepared input papers for the High-Level Conference in July 2013.

D. Summary and Recommendations

13. Development partners have been cooperating in the sectors and themes covered under the Investment Climate Improvement Program. Coordination and information sharing should continue under the Development Partner Coordination Council and its working groups.