

PROJECT PREPARATORY TECHNICAL ASSISTANCE

A. Justification

1. Project preparatory technical assistance (TA) is required to assist the government in designing and implementing reforms for financial deepening, access to finance, and trade and investment to increase the role of the formal private sector in the economic development of the Kyrgyz Republic. Support for public–private partnerships (PPPs) will be provided under a separate TA project.¹

B. Major Outputs and Activities

2. The TA will help (i) complete due diligence on areas proposed for support; (ii) identify key reforms including the adjustment costs in preparing, implementing, and monitoring the proposed reforms; and (iii) reach agreements on reform activities, outputs, and program outcome and impact.

Table A3.1: Summary of Major Outputs and Activities

Major Activities	Expected Completion Date	Major Outputs	Expected Completion Date
(i) Issue EOIs for consultants	15 Sept 2014	Consultants hired	30 Sep 2014
(ii) Undertake assessments and draft reports with recommendations	30 Nov 2014	Draft program of reforms with underlying policy actions prepared	30 Dec 2014
(iii) Undertake stakeholder consultations to finalize reforms and policy actions	30 Dec 2014	Mechanisms and instruments for implementation of reforms designed	15 Feb 2015
(iv) Identify institutional impediments to reform implementation	15 Nov 2014	Steps undertaken to increase access to finance and financial deepening	30 April 2015
(v) Develop operating plans for recommended mechanisms, including budgetary implications	15 Feb 2015	AIP operationalized	30 April 2015
(vi) Draft legal amendments to allow qualified MFOs into payment system	15 Jan 2015		
(vii) Revise regulations to broaden the range of SME receivables for use as loan collateral	15 Feb 2015		
(viii) Draft operating plan for AIP	30 Dec 2014		

EOI = expression of interest, IPA = Investment Promotion Agency.
Source: Asian Development Bank.

C. Cost Estimate and Proposed Financing Arrangements

3. The TA is estimated to cost \$660,000 equivalent, of which \$600,000 will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF)-V. Details are in Table A3.2.

Table A3.2: Cost Estimates and Financing Plan
(\$'000)

Source	Total Cost
Asian Development Bank^a	
1. Consultants	
a. Remuneration and per diem	
i. International consultants (12 person-months)	263.0
ii. National consultants (24 person-months)	97.0

¹ ADB. 2014. *Technical Assistance to the Kyrgyz Republic for Strengthening the Enabling Environment for Public–Private Partnerships*. Manila (TA 8688-KGZ, \$1,000, 000, approved on 21 July).

Source	Total Cost
b. International and local travel	78.0
c. Reports and communications ^b	10.0
2. Workshops, training, seminars, and conferences ^c	
a. Facilitators	10.0
b. Workshops	10.0
3. Miscellaneous administration and support costs ^d	80.0
4. Equipment ^e	18.0
5. Contingencies	34.0
Total	600.0

Note: The government will provide counterpart support in the form of counterpart staff, translation, office accommodation, office supplies, translation, secretarial assistance, and other in-kind contributions. The value of government contributions is estimated to account for 9.1% of the total TA cost.

^a Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF-V).

^b Includes translation costs.

^c Includes rent of facilities, food and beverages, materials, other related costs, as well as honorarium, travel cost, and per diem of resource persons. Resource persons are not expected to be engaged for more than 10 days.

^d Direct and identifiable costs associated with the work of consultants or support to government staff involved in TA implementation, including costs of obtaining a sovereign credit rating.

^e Includes hardware, software, web design, and other related goods. The equipment and software will become property of the Ministry of Economy on completion of the technical assistance.

Source: Asian Development Bank estimates.

D. Consulting Services

4. The TA will engage three international and five national consultants with investment and trade promotion, finance sector development, mobile services development, legal, and social expertise. PPP experts will be hired under a separate TA project (footnote 1). Given the diversity of expertise required, individual consultants are better suited than a firm. While working independently, the technical teams will coordinate as needed. All consultants will be recruited in accordance with ADB's Guidelines on the Use of Consultants (2013, as amended from time to time). Disbursements will be made in accordance with ADB's *Technical Assistance Disbursement Handbook* (2010, as amended from time to time). Procurement will be in accordance with ADB's Procurement Guidelines (2013, as amended from time to time).

Table A3.3: Summary of Consulting Services Requirement

Positions	Person-Months
A. International	
1. Investment and trade promotion specialist	4
2. Finance sector development specialist	4
3. Mobile financial services specialist	4
B. National	
1. Investment and trade promotion specialist	5
2. Finance sector development specialist	5
3. Legal specialist	5
4. Social, poverty, and gender specialist	3
5. Management information system specialist	6

Source: Asian Development Bank.

1. International Consultants

5. **Investment and trade promotion specialist** (4 person-months). The consultant should have a postgraduate degree in economics, finance, or business, and at least 10 years of experience in export or investment promotion. Experience with investment promotion agencies of smaller developing countries is required. The specialist will (i) review government programs

for investment and trade; (ii) review Customs Union and Eurasian Economic Union plans and how accession will impact re-export markets such as Dordoi and, consequently, trade, investment, and financial flows in the country; (iii) identify policy measures necessary to address the constraints to trade and investment identified in the National Trade Program, and mitigate adverse impacts identified in item (ii); (iv) assess quality–certification infrastructure support necessary but not supported by the development fund set up to facilitate accession to the Customs Union; (v) develop business cases for government support mechanisms, such as export credit agency, investment guarantee facility; (vi) assist in developing relevant websites; (vii) based on (i)–(vii) outline a comprehensive 5-year policy and institutional reform action plan; and (viii) help build relevant government capacity.

6. **Finance sector development specialist** (4 person-months). The consultant should have a postgraduate degree in economics, finance, or business, and at least 10 years of experience in finance sector development reform in developing countries. The consultant will help identify continuing constraints in financial intermediation and increasing access to finance, and support implementation of reforms to address the constraints. The specialist will perform the following tasks: (i) assess the potential for small and medium-sized enterprise (SME) financing, including products based on movable assets, factoring, and other forms of supply chain finance; (ii) assess options to widen SME access to credit through guarantee schemes and Islamic finance; (iii) help prepare a policy note and draft framework for developing products and services to channel the country's remittances to productive investments through the formal financial system; (iv) review the secured transactions framework, covering collateral and provisioning requirements in the National Bank of the Kyrgyz Republic (NBKR) regulations and practices for commercial banks, impacting bank liquidity and hence lending; (v) based on (i)–(iv), outline a comprehensive 5-year reform plan, including policy actions and institutional arrangements to promote financial intermediation and SME and retail access to finance; and (vi) help implement interventions to build relevant government capacity.

7. **Mobile financial services specialist** (4 person-months). The specialist will have a relevant postgraduate degree; at least 12 years of experience in central banking or banking operations, policy formulation, and development of payments and settlement systems, including electronic payments solutions. Familiarity with the Kyrgyz Republic's finance sector legal and regulatory framework will be an advantage. The specialist will (i) assess the status of electronic payments, including mobile banking and systems; (ii) assess NBKR's oversight and operating functions in retail payment systems; (iii) recommend improvements including in infrastructure, institutional capacity, and legal amendments for the national payments, clearance, and settlement system upgrade; (iv) help develop terms of reference for tendering detailed design and implementation of recommended alternatives; (v) assist NBKR in consultations with banks and other financial services providers, and in implementing policy and regulatory changes (including for licensing and supervising payments operators); (vi) assist NBKR in reviewing the payments system development strategy and preparing the 2015–2017 document; (vii) organize awareness workshops and train authorities in international good practices and regulatory models for electronic payments; and (viii) outline a comprehensive 3–5-year reform action plan.

8. The specialists will conduct fiduciary risk and cost of reforms assessments as needed.

2. National Consultants

9. National consultants, guided by their technical area international specialists, will help (i) collect and analyze data and information, (ii) formulate reform recommendations, (iii) monitor progress of reforms, (iv) assess local capacity, (v) undertake stakeholder consultations, (vi)

provide training, and (vii) with other tasks as needed under the TA. They will have good command of English and be responsible for translation of reports into Russian or Kyrgyz.

10. **Investment and trade promotion specialist** (5 person-months). The specialist will have a degree in a relevant discipline and at least 8 years of professional experience in developing and advising on trade facilitation and investment promotion interventions.

11. **Finance sector development specialist** (5 person-months). The specialist will have a degree in a relevant discipline and at least 8 years of experience in financial sector development.

12. **Legal specialist** (5 person-months). The specialist will have a degree in law and at least 8 years of experience with legal and regulatory frameworks for finance sector development and investment and trade. The expert will (i) review relevant laws and regulations, (ii) provide legal recommendations as needed, and (iii) help draft legal documents.

13. **Social, poverty, and gender specialist** (3 person-months). The specialist will have a degree in a relevant discipline and at least 5 years of experience in social, gender, and poverty assessments. Experience with project preparatory TA and in the former Soviet Union countries, will be an advantage. The specialist will help identify reforms and design measures that maximize poverty reduction and social and gender-inclusiveness. Tasks will include preparing a draft summary poverty reduction and social strategy, inputs to the design and monitoring framework, and other documents as required.

14. **Management information systems specialist** (6 person-months). The expert will have a relevant degree and at least 6 years of experience in website and management information systems development and administration. In consultation with the relevant specialists, the specialist will develop (i) the Agency for Investment Promotion website, (ii) a format for collecting sector-specific information, (iii) a system to align sector and prospective investor information, and investor queries, and (iv) technical specifications for website maintenance. The specialist will also train relevant staff.

E. Implementation Arrangements

15. The Ministry of Economy (MOE) will be the executing agency. The proposed implementing agencies are MOE, the Ministry of Finance, and NBKR. The Macroeconomic and Investment Policy Coordination Council will be the high-level steering committee overseeing program implementation. To ensure continuity and sustainability of reforms, the implementation arrangements are the same as for the first ICIP. The TA will be implemented from September 2014 to June 2015. The proposed processing and implementation schedule is in Table A3.4.

Table A3.4: Technical Assistance Processing and Implementation Schedule

Major Milestones	Expected Completion Date
Consultation mission	10–12 February 2014
Reconnaissance mission	27 May–4 June 2014
VPO1 approval	September 2014
Inception mission	October 2014

VPO1 = Vice-President (Operations 1).

Source: Asian Development Bank estimates.