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**INTERNATIONAL DEVELOPMENT ASSOCIATION  
INTERNATIONAL FINANCE CORPORATION  
MULTILATERAL INVESTMENT GUARANTEE AGENCY  
COUNTRY PARTNERSHIP FRAMEWORK  
FOR  
THE KYRGYZ REPUBLIC  
FOR THE PERIOD FY19-FY22  
October 10, 2018**

**Central Asia Country Management Unit  
Europe and Central Asia Region**

**The International Finance Corporation  
Eastern Europe and Central Asia Region**

**The Multilateral Investment Guarantee Agency**

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**ABBREVIATIONS AND ACRONYMS**

ADB	Asian Development Bank	CPMP	Community based Pasture
APAP	Agricultural Productivity Assistance		Management Plans
	Project	CPS	Country Partnership Strategy
APNIP	Agricultural Productivity and Nutrition	CSO	Civil Society Organization
	Improvement Project	DBR	Doing Business Report
ARIS	Community Development and	DPO	Development Policy Operation
	Investment Agency	DSA	Debt Sustainability Analysis
AS	Advisory Services (IFC)	DTF	Distance to Frontier
ASA	Advisory Services and Analytics	EBRD	European Bank for Reconstruction and
BFM	Business Facilities Measure		Development
BRI	“Belt and Road” Initiative	ECA	Europe and Central Asia
CACGP	Central Asia Corporate Governance	EEU	Eurasian Economic Union
	Project	EFA-FTI	Education for All Fast-Track Initiative
CAEWDP	Central Asia Energy and Water		Program
	Development Program	EITI	Extractive Industries Transparency
CAMP4ASB	Climate Adaptation and Mitigation		Initiative
	Program for Aral Sea Basin	ESARIP	Electricity Supply Accountability and
CAREC	Central Asia Regional Economic		Reliability Improvement
	Cooperation	ESW	Economic and Sector Work
CARs	Central Asia Road links	FDI	Foreign Direct Investment
CASA-1000	Central Asia South Asia Electricity	FSDP	Financial Sector Development Project
	Transmission and Trade Project	FY	Fiscal Year
CDWUUs	Community Drinking Water User	GAFS	Global Agriculture and Food Security
	Unions		Trust Fund
CE	Citizen Engagement	GAFSP	Global Agriculture and Food Security
CHP	Combined-Heat-and-Power Plants		Program
CIS	Commonwealth of Independent States	GDP	Gross Domestic Product
CLR	Completion and Learning Review	GFDRR	Global Facility for Disaster Reduction
CMAW	Creating Markets Advisory Window		and Recovery
COP-21	CMAW Creating Markets Advisory	GNI	Gross National Income
	Window the 21st yearly session of the	GoKR	Government of the Kyrgyz Republic
	Conference of the Parties (the 2015	GPE	Global Partnership for Education
	United Nations Climate Change	GPSA	Global Program for Social
	Conference)		Accountability
CPF	Country Partnership Framework	GRM	Grievance Redress Mechanism

Health PforR	Health Program for Results	PPPs	Public Private Partnerships
HIV/AIDS	Human Immunodeficiency Virus / Acquired Immune Deficiency Syndrome	PRL	Performance and Learning Review
HPP	Heating Power Plant	PSD	Private Sector Development
ICAO	International Civil Aviation Organization	PSRR	Public Sector Reform Roadmap
ICT	Information and Communication Technology	PSW	Private Sector Window
IDA	International Development Association	PUU	Pasture User Unions
IDF	Institutional Development Fund	READ	Russia Education Aid for Development
IFC	International Finance Corporation	RETF	Recipient Executed Trust Funds
IMF	International Monetary Fund	RWSSP-2	Rural Water Supply and Sanitation Project - 2
IPF	Investment Project Financing	SCD	Systematic Country Diagnostic
IS	Investment Services (IFC)	SDC	Swiss Agency for Development and Cooperation
IsDB	Islamic Development Bank	SDG	Sustainable Development Goal
JSC “EPP”	Joint Stock Company “Electric Power Plant”	SDR	Special Drawing Rights
JSDF	Japan Social Development Fund	SECO	State Secretariat for Economic Affairs
KfW	German Development Bank	SME	Small and Medium Enterprises
KR	Kyrgyz Republic	SOE	State-Owned Enterprise
MFM	Macroeconomic and Fiscal Management GP	SORT	Systematic Operations Risk Rating Tool
MIGA	Multilateral Investment Guarantee Agency	SWAp	Sector-Wide Approach project
MOES/PCU	Ministry of Emergency Situations /Project Coordination Unit	TA	Technical Assistance
MSME	Small Medium Enterprise	TEI	Technical and Economic Indicators
NDCs	National Determined Contributions	TF	Trust Fund
NGO	Non-governmental organization	UHC	Universal Health Coverage
NPLs	Non-Performing Loans	UN	United Nations
NSBA	National Sample-Based Achievement Test	UNDP	United Nations Development Program
NSDS	National Sustainable Development Strategy	USAID	United States Agency for International Development
PEFA	Public Expenditure and Financial Accountability	USD	United States Dollars
PER	Public Expenditure Review	USOAP	Universal Safety Oversight Audit Program
PFM	Public Finance Management	VAT	Value Added Tax
PISA	Program for International Student Assessment	VIP	Village Investments Project
PIU	Project Implementation Unit	WBG	World Bank Group
PLMIP	Pasture and Livestock Management Improvement Project	WTO	World Trade Organization
PPP	Purchasing Power Parity	WUAs	Water Users Associations

	<b>IDA</b>	<b>IFC</b>	<b>MIGA</b>
<b>Vice President:</b>	Cyril E. Muller	Georgina E. Baker	Keiko Honda
<b>Regional Director/Manager:</b>	Lilia Burunciuc	Wiebke Schloemer	Merli Margaret Baroudi
<b>Task Team Leader:</b>	Bolormaa Amgaabazar	Cassandra Colbert	Persephone Economou
		Martin Naegele	
		Aimilios Chatzinikolaou	

# FY19-FY22 COUNTRY PARTNERSHIP FRAMEWORK FOR THE KYRGYZ REPUBLIC

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## I. EXECUTIVE SUMMARY

1. ***This Country Partnership Framework (CPF) document lays out the principal elements of planned cooperation between the World Bank Group (WBG) and the Kyrgyz Republic during FY19-22.*** The CPF builds on the experience of the FY14-17 Country Partnership Strategy (CPS), which supported Kyrgyz efforts to reduce poverty and promote shared prosperity. The focus on the WBG's twin goals will continue to guide the FY19-22 CPF, in full alignment with the Kyrgyz "Sustainable Development Strategy 2040" (SDS 2040). Within this overall focus, the specific interventions included in the CPF program aim to support the medium-term implementation plan for the 2018-2022 period developed by the current Kyrgyz Government, which took office following the elections in October 2017.

2. ***The Kyrgyz Republic is a land-locked, mountainous nation of 6 million people, with an income per capita of US\$1,179 (2016), and considerable economic potential based on its rich endowments.*** Compared with its Central Asian neighbors, the country is distinguished by its liberal political regime, a lower level of capture of the state by narrow vested interests, and a lighter state footprint in the economy. In addition to these intangible assets, the country has rich, largely unexploited, natural endowments in the form of minerals, as well as potential for significantly expanded agriculture, hydroelectricity production, and tourism. Its geographic location also offers important export opportunities. The Kyrgyz Republic sits at the crossroads of the large Chinese, South Asian, and Russian markets, with unfettered access to the Eurasian Economic Union (of which it is a member) and could thus attract significant investments from the immediate region. Regional export potential is especially strong in hydro-energy and promising possibilities exist in trade transit in roads and railways. Given the right socio-political and policy conditions, the country could attract massive cross-regional energy and transport investments.

3. ***Despite this potential, headcount poverty remains relatively high – with nearly a quarter of the population living below the international poverty line of US\$3.2 per capita.*** A still larger proportion of households is clustered just above the poverty line, making them vulnerable to poverty in the face of even small shocks, such as food price increases. Growth in recent years appears to have been pro-poor on a superficial look. In actuality, however, this reflects very modest improvements in welfare among the bottom 40 percent coupled with falling incomes for the upper 60 percent. Stalled upward economic mobility for the majority of Kyrgyz households points to the limited capacity of households to expand their income earning potential beyond the level required to meet basic needs. In turn, this is attributable both to a business environment that has not been conducive to significant private investment and job-creation and to weak public institutions and services.

4. ***The WBG's 2018 Systematic Country Diagnostic (SCD) for the Kyrgyz Republic finds that sustainably addressing poverty and promoting shared prosperity will require a new economic growth model – including strengthened institutions and governance, investments in human capital and strategic infrastructure – to unlock exports and growth through private investment.*** Although the Kyrgyz Republic was an early reformer, adopting market institutions and a liberal trade regime in the early 1990s, its ability to attract large-scale, long-term investment into the country (outside of extractives) was impeded by political and policy instability. Growth was and continues to be driven largely by exogenous factors: gold production from one major mine

and worker remittance-fueled consumption. The domestic economy - characterized by high informality, small scale, and low productivity in the private sector - does not lend itself to sustained, dynamic growth and employment generation. Prospects are further depressed by structural and cyclical factors in the absence of deliberate policy reforms. A new development model is urgently needed to tackle the sources of low overall productivity and unleash private investment, given limited options for public spending and redistribution. Such a model will likely require a three-pronged approach to: (i) address cross-cutting constraints to private sector development, (ii) promote conducive policies in areas where the country has significant unexploited endowments (especially minerals and hydropower), and (iii) foster greater sustainability, including by maximizing the efficiency of public investments. It will also require a fundamental departure from haphazard policy making, whereby macro-fiscal policies have failed to support greater poverty reduction and resilience, and weak governance has undermined the effectiveness of reforms.

5. ***A shared vision of a private sector-led and export-oriented growth path across the political spectrum has been crystallized in the country's SDS 2040 long term vision (Vision 2040) and the accompanying medium-term plan for 2018-2022.*** Developed in 2017 by means of a consultative process, Vision 2040 lays out national development goals that are built around economic well-being (based on sustainable jobs, stable incomes; exports, especially from labor-intensive sectors; and regional development), social welfare, governance and sustainability. The Kyrgyz Government's medium-term implementation plan for 2018-2022, entitled "Unity, Trust, Creation", complements Vision 2040 and promotes a shift towards a private sector-led economic model. To achieve this, it accords high priority to governance across the board (from economic management to public services delivery), emphasizes the need for coordinated initiatives to leverage growth opportunities in key sectors of the economy, encourages digitalization, and promotes spatially balanced economic development. This medium-term program is ambitious and could be difficult to implement fully given the country's sometimes contentious political context and capacity constraints. It, nonetheless, provides appropriate direction for development efforts and, together with SCD findings, forms a solid basis for the design of the FY19-22 CPF.

6. ***Building on the national plans and SCD findings, the overarching goal of the CPF is to help promote diversified, export-oriented, inclusive, and sustainable growth in the Kyrgyz Republic, focusing on conditions for private sector investment.*** Given a high degree of congruence between national priorities and SCD findings, the CPF strategy for supporting Kyrgyz Republic's development efforts is to concentrate on the common space between the Government plans and SCD recommendations, while bearing in mind the WBG's comparative advantage. The CPF objective is organized into three focus areas – namely, (i) strengthening foundations for inclusive, private sector-led growth; (ii) catalyzing productivity and connectivity; and (iii) enhancing equitable economic opportunities and resilience. In turn, each focus area contains three measurable objectives to be achieved through targeted investment and development policy lending, IFC investments, and ASA support. The country's IDA18 indicative allocation is between \$260-\$300 million<sup>1</sup>, with allocations for FY21-FY22 to be determined under IDA19. Additional funds could be secured from the IDA regional window. The Kyrgyz Republic's fragile political,

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<sup>1</sup> IDA18 volumes are indicative, as actual Performance Based Allocations will be determined annually during the FY18-FY20 period and will depend on: (i) total IDA resources available; (ii) the number of IDA-eligible countries; (iii) the country's performance rating, per capita gross national income, and population; and (iv) the performance and other allocation parameters for other IDA borrowers.

governance, and fiduciary contexts create high risks for the proposed CPF program, but successful implementation should help to promote political and institutional stability and place the economy on a path to sustained, inclusive growth and social cohesion – with positive domestic and regional impacts.

## **II. COUNTRY CONTEXT AND DEVELOPMENT AGENDA**

### **A. Social and Political Context**

7. *Since gaining independence from the Soviet Union in 1991, the Kyrgyz Republic has experienced considerable political turbulence, accompanied by economic and social fragility, episodes of social unrest and frequent changes of government.* In some respects, 2010 was a watershed year which saw both the removal of the president following widespread popular protests against corruption and nepotism, and the eruption of violent inter-ethnic clashes in the South of the country – a mosaic of ethnic groups (Kyrgyz, Tajik and Uzbek), cultures and languages living side by side or in mono-ethnic enclaves. While calm was restored within a relatively short period of time, tensions remain.

8. *Other social cleavages also persist: for example, the urban/rural divide and continuing regional disparities* – e.g., between the richer north (that looks outward towards China, Kazakhstan, and Russia) and the south, which is a part of the Ferghana Valley. These divisions are exacerbated by other sub-national risks such as urban overpopulation, youth unemployment and marginalization, along with the growing specter of religious radicalization. Long-term stability and growth will depend upon meaningful inter-ethnic reconciliations and policies to accelerate inclusion, especially through stimulating growth, faster job creation and significant improvements in public service delivery. In view of these pressures, the Government is placing high priority on regional/territorial development – a key focus of its medium-term development program – as well as improved governance. As part of this effort, it is seeking to improve relations with neighbors – especially Uzbekistan - with the expectation that greater regional cooperation, connectivity, and trade (including in energy and water) could both boost growth and reduce social tensions.

9. *To address the issues surrounding undue concentration of power in the Presidency, a new constitution – enshrining a shift to a parliamentary system with checks and balances – was adopted in late June 2010*, following overwhelming support (90%) in a national referendum. The first president elected under this constitution served a full term of 6 years marked by relative stability (albeit with numerous cabinet changes) and the country made progress towards the restoration of social peace. Following peaceful elections, a successor took office in November 2017, but he replaced the prime minister, in office for less than a year.

10. *As the preceding suggests, the country's vibrant democracy, while a source of strength in the long term, also carries with it a shorter-term cost of instability which can affect socio-economic goals.* As such, a core challenge is to build institutions that are resilient to changes in administration and provide predictable and transparent governance. This, in turn, would enable the country to leverage its unique democratic identity in the region to attract investment and maximize the benefits of community participation in public affairs.

## B. Economic Developments and Prospects

11. *The Kyrgyz economy has grown at a robust pace between 2000 and 2016 - but there are signs that the current economic paradigm may be insufficiently dynamic to sustainably address poverty and generate inclusive growth in the medium- to longer-term.* Since the turn of the century, the main drivers of economic growth have been gold extraction on the one hand, and worker remittance-fueled consumption on the other. This growth model has enabled the economy to grow at an average rate of 4.5 percent over the 2000-2016 period – albeit with significant year-over-year volatility in growth due to bouts of political instability, geological factors affecting gold output, and business cycle developments in Kazakhstan and Russia. Gold exports and remittances provide a critical source of foreign exchange, allowing the country to accommodate a significant trade deficit, but they also drive Dutch Disease effects, undermining production of export-oriented tradable goods/services and exacerbating the inherent limitations of a small and poorly connected domestic market. Exports in relation to GDP have stagnated around 45 percent. This reflects a long process of de-industrialization as evidenced by declining traditional manufacturing activity and a failure to diversify into products or services embodying higher technological content. Services have been expanding, but they remain low-productive in nature and show small (if any) gains in total factor productivity. Outside of extractives, the country has been unable to attract private investment at the scale required to produce quality jobs for the Kyrgyz Republic’s growing labor force.

**Table 1: Selected Economic Indicators, 2015-2021**

	2015	2016	2017	2018	2019	2020	2021
			Prel.		Projections		
(Percent, unless otherwise indicated)							
<b>National Income and Prices</b>							
Nominal GDP (bln. of soms)	430.5	476.3	521.0	551.1	593.0	640.1	688.5
Nominal GDP per capita (US\$)	1,121	1,078	1,109	1,139	1,178	1,222	1,249
Real GDP growth	3.9	4.3	4.6	4.2	4.8	5.0	4.5
Real non-gold GDP growth	4.9	4.3	4.7	4.7	4.8	4.9	5.0
Private consumption growth	-0.9	-0.6	3.4	3.2	3.5	4.0	3.7
Gross investment (percent of GDP)	29.4	30.1	32.1	32.5	31.5	31.5	30.6
Consumer price inflation, year-end	3.4	-0.5	3.7	5.0	5.0	5.0	5.0
Consumer price inflation, period average	6.5	0.4	3.2	4.5	4.8	5.0	5.0
(Current US\$ millions, unless otherwise indicated)							
<b>External Accounts</b>							
Merchandise exports, <i>of which:</i>	1,619	1,608	1,840	1,944	2,168	2,314	2,412
Gold exports	665	702	700	679	713	749	720
Merchandise imports	3,860	3,744	4,196	4,729	5,204	5,522	5,568
Current-account balance	-742	-792	-306	-727	-822	-836	-817
as percent of GDP	-15.9	-11.6	-4.0	-9.0	-9.7	-9.4	-8.9
Foreign direct investment, net	1,009	579	123	450	503	568	590
Total official international reserves	1,778	1,969	2,089	2,217	2,383	2,394	2,399
External debt, as percent of GDP	94.5	90.3	88.5	87.7	85.6	85.4	85.4
(Percent of GDP, unless otherwise indicated)							
<b>Consolidated Fiscal Accounts</b>							
Revenues	34.4	32.0	33.2	33.0	31.3	29.7	29.9
o/w Taxes	24.2	24.2	24.3	25.1	25.6	26.4	26.5
Expenditures	37.4	38.3	37.9	37.0	35.7	32.7	32.9
Overall fiscal balance	-3.0	-6.3	-4.7	-4.1	-4.4	-3.0	-3.0
Overall fiscal balance excluding on-lending	-1.0	-4.0	-3.2	-2.5	-2.5	-2.3	-2.1
Primary fiscal balance	-2.0	-5.2	-3.6	-3.0	-3.2	-1.9	-1.8
Total public debt	67.2	59.1	59.9	60.0	60.2	59.3	58.5

Sources: Kyrgyz authorities and World Bank staff estimates.



12. ***Macroeconomic policies have not been conducive to attracting private investment due largely to inconsistent fiscal performance.*** Monetary policy has been broadly adequate, with a consistently managed float commitment allowing the economy to adjust to shocks. However, given low monetization of the economy, high dollarization, and a shallow financial system, the impact of monetary policy on aggregate demand is limited. This means that the brunt of any adjustment to shocks is borne predominantly by fiscal policy – which, thus far, has been suboptimal. Following a period of significant consolidation, from 2001 to 2008, the fiscal stance was relaxed in 2009, causing a ballooning of government spending. As shown in Table 1, government spending stood at 38.3 percent of GDP<sup>2</sup> by 2016, and the fiscal deficit (including on-lending) had widened to 6.3 percent, with total public debt remaining high at 59.1 percent of GDP. While the fiscal position remains manageable thanks to concessional support and successful measures to boost revenues, fiscal buffers have been substantially eroded and the presence of a large structural deficit suggests that the current fiscal stance is not sustainable. It is also likely that the fiscal expansion put upward pressure on prices and wages, thus, further undermining the country's weak overall competitiveness.

13. ***Although fiscal expansion since 2009 was undertaken to mitigate the social impact of shocks, it has been largely ineffective due to low efficiency in spending.*** In the wake of the global financial crisis, the government resorted to fiscal stimulus, which came mostly from permanent shifts in current expenditures, namely, increases in wages and pensions. Then, following the revolution of 2010, additional outflows were directed to propping up the financial sector and toward social protection, with additional benefits and wage increases that became permanently embedded in the fiscal accounts. Weaknesses along the public investment management chain mean that only a fraction of investment spending results in productive physical capital. Purchases of goods and services absorb significant resources (8.8 percent of GDP in 2016) but they take place against a backdrop of weak procurement systems. Similarly, despite the high priority given to social sector spending, outcomes are poor: spending is channelled toward expanding the workforce without commensurate attention to system efficiency or service quality.

14. ***The impact of social protection measures – such as subsidized utility tariffs and generous co-payment exemptions in health – has also been blunted by poor targeting, with benefits reaching only a fraction of the poor while deepening the structural deficit.*** State-owned utilities in the energy and water sectors maintain tariffs significantly below cost recovery levels. The result has been a steady accumulation of public debt and an erosion of generation, transmission, and distribution infrastructure, with broad access to infrastructure services matched by low quality. Moreover, the financially unviable position of the energy sector precludes the type of significant private investment that would be required to scale-up generation and develop the country's hydro-export potential.

15. ***Fiscal management is affected by continued gaps and weaknesses in institutional capacity.*** For example, although the budget process follows many good international practices on paper, the capacity for effective budget management is low. Elements of medium-term budgeting remain nascent and undermined by: (i) weak links to sector policies, (ii) limited forecasting capacity, and (iii) the absence of explicit links between medium-term targets and annual appropriations. On the revenue side, tax reforms have yielded substantial gains in revenue

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<sup>2</sup> One of the highest ratios among developing countries and high even by FSU standards

collection<sup>3</sup>, but given the limited reach of tax authorities informality is persistent and widespread so that the burden of taxation rests disproportionately on a small number of formal firms. This, in turn, incentivizes informality.

16. ***Faster progress, moreover, will require a more supportive, deliberate, sustained, and internally consistent policy framework.*** Macroeconomic policies have—at best—not supported greater poverty reduction and resilience and, at worst, have contributed to output and income volatility, along with social vulnerability. Likewise, governance shortcomings, together with counterproductive tax policies, have probably helped keep the economy small and informal by deterring large, productive private sector investments, while generating incentives for firms and individuals to stay below the radar.

17. ***Governance remains a defining challenge for the Kyrgyz Republic with uneven progress over the past decade.*** Relative to other low- and middle-income countries (LMICs) and even to low-income countries in the Worldwide Governance Indicators, the Kyrgyz Republic falls well behind average performance in key dimensions, including rule of law, control of corruption, and political stability.

18. ***Governance issues are particularly relevant to investors, with nearly 70 percent of firms citing some aspect of governance as their single largest constraint.*** Poor corporate governance continues to limit the financial performance of firms and the ability to attract investment. This is particularly relevant for finance and for firms looking for foreign investment, which in many cases requires stronger firm-level corporate governance standards than what is required under the Kyrgyz law. In recent years, the government has taken efforts to strengthen the regulatory foundation for corporate governance.

19. ***However, regional developments provide support to the economy.*** With improvements in the regional outlook, remittances have recovered, boosting household incomes, and the resulting appreciation of the domestic currency has helped to contain risks of debt and/or financial sector distress. Growth is projected to rise from an annual average of 4.3 percent over 2015-2017 to 4.6 percent over 2018-2021, largely through a rise in net exports - as new opportunities associated with EEU membership are gradually taken-up, in particular, in food and textile industries.

20. ***Medium-term sustainability is subject to substantial risks.*** The SCD analysis shows that although the macroeconomic policy framework and institutions are being strengthened, medium-term economic sustainability faces several risks. Chief among these are the following:

- **The pipeline for new gold mines is thin:** The lifespan of Kumtor - the gold mine that accounts for 10 percent of GDP, 40 percent of exports and 20 percent of budget revenues - is about ten more years (although new investments could possibly extend this by a few years). Given the gestation period for mining projects, it is vital to develop a pipeline based around the country's rich mining resources, which will, *inter alia*, require fiscal and regulatory reforms to attract foreign investments.
- **Fiscal risks and debt vulnerability leave the country exposed to shocks:** The recent build-up in public debt and erosion of fiscal space require corrective measures. While the regional environment has improved following the 2014-2016 downturn, the oil price shock has

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<sup>3</sup> With tax revenues (excluding social security contributions) increasing from 16 percent of GDP in 2005 to 19.7 percent in 2016.

exposed the vulnerability of the Kyrgyz economy to such exogenous developments. Fiscal buffers have been eroded; external debt sustainability has worsened because of the strong growth in external debt-financed public investment and it is highly vulnerable to exchange rate dynamics; the vulnerability of the financial system is significant due to high dollarization and a weak institutional and regulatory framework.

- Business as usual will not generate sustained high growth: More fundamentally, a business as usual scenario is unlikely to generate the dynamic and inclusive growth required to provide adequate domestic employment for the growing population and opportunities for households to boost their incomes on a sustainable basis.

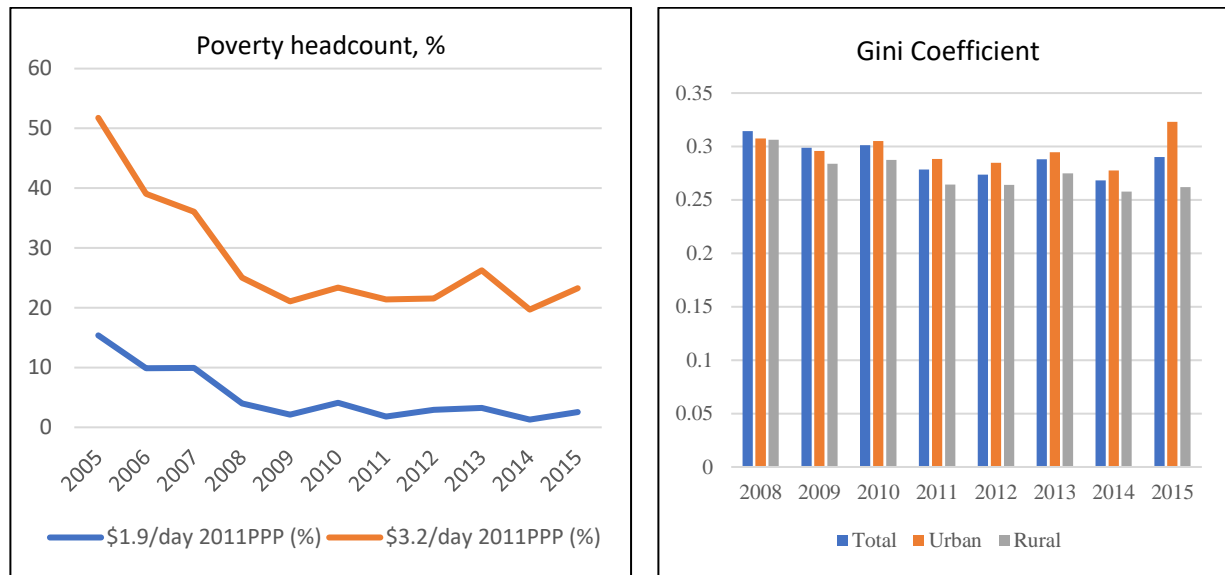
### C. Poverty and Inequality

21. ***The Kyrgyz Republic experienced a rapid reduction in poverty prior to 2010, but progress has been uneven since then and social vulnerability remains high.*** The prevailing growth paradigm delivered rapid poverty reduction initially, at the onset of mass emigration, which coincided with equally significant rural to urban labor reallocations. The poverty rate fell dramatically between 2005 and 2009. Measured at the international \$3.2-a-day line (2011 PPP), poverty fell from 52 percent of the population in 2005 to 21 percent in 2009, more than halving as a result of rapid declines in both urban and rural areas. However, poverty reduction stalled thereafter, due in part to a partial reversal of income gains among urban households. Between 2010 and 2016, the poverty headcount rose to 23 percent. Continuing gradual declines in rural poverty were negated by an increase in cities, where poverty rose by nearly 5 percent. Moreover, for most Kyrgyz households, the exit from poverty has not been synonymous with true prosperity. The vast majority of the population is clustered around the poverty line. In that sense, the flipside of the country's very modest inequality is widespread vulnerability.

22. ***Shared prosperity was achieved in a formal sense, but only because the outcomes among the top 60 percent were worse than those of the bottom 40 percent – while the core objective of rapid welfare improvement for all remained elusive.*** Between 2010 and 2015, consumption grew modestly among the bottom 40, while falling among the top 60 percent of the income distribution. Despite recent improvements, poverty remains far more prevalent in rural areas compared with cities and towns, suggesting that efforts to promote shared prosperity will need to continue to focus on creating income generation opportunities for rural dwellers. Moreover, the high prevalence of transient poverty alongside chronic poverty implies significant exposure to shocks. For its part, stalled upward economic mobility points to limited capacity of households to expand their income earning potential beyond what is required to meet basic needs.

23. ***The relationship between GDP growth and poverty reduction appears to have weakened.*** While growth and poverty reduction went hand in hand in 2000–08, the strength of the association decreased significantly and reversed thereafter. The poverty reduction elasticity of growth declined from 3.2 percent in 2005–08 to -0.7 percent in 2009–15, indicating there had been a delinking. Rapid economic growth over 2012–13 did not prevent an increase in poverty, while slower growth in the following year coincided with a sharp dip in poverty. Likewise, consumption growth among the population and the bottom 40 averaged 4.6 percent and 7.8 percent respectively over 2005–14 but dropped to -1.1 percent and 0.4 percent over 2009–14.

**Figure 1: Poverty and Inequality**



24. *With respect to gender inequality indicators, the Kyrgyz Republic fares better than most of its comparators, but challenges remain in some areas.* Scores on international gender indices are high for education but low for economic and political empowerment. While more women than men attend secondary professional vocational schools and universities, there is a gender divide in terms of specializations at the tertiary level, which is later reflected in the labor market. Women are less likely to be employed and, when employed, they earn on average 30 percent less than men. Further, while male out-migration to Russia for work has weakened some of the traditions that had suppressed women's economic and civic roles (thus creating greater space for women to engage in paid work), further actions are needed to enhance women's participation in civic and political activity. In terms of concrete steps, the main gender-related challenges are threefold: reversing the still elevated maternal mortality rate, closing the gap between male and female labor force participation, and reducing the disparity in wages.

25. *As previously noted, a large proportion of Kyrgyz households live in economically precarious circumstances, which, in turn, is inextricably linked to environmental and social vulnerabilities.* The economy and households are highly vulnerable to climate change, both because of the low adaptive capacity of the economy and the high climate-sensitivity of its growth drivers. Growth opportunities are firmly tethered to environmental resources, particularly in agriculture, hydropower, extractives, forestry, and tourism. This implies the need for a strategic and holistic approach to natural resource management in order to effectively safeguard the Kyrgyz Republic's sources of competitive advantage. Additionally, the Kyrgyz Republic is highly exposed to natural hazards: it is classified as the most seismically-dangerous territory in Central Asia (96.7 percent of the population live under high seismic risk) and experiences frequent flooding (annually, about 80,000 people are affected with about US\$60 million lost in potential GDP). The challenge, therefore, is to enhance preparedness to deal with the impacts of climate change and other country-specific environmental vulnerabilities, especially those affecting the poor. This is fully consistent with ongoing Kyrgyz efforts to meet international mitigation and adaptation commitments.

#### D. The Kyrgyz Republic's Development Challenge

26. ***Given relatively high poverty and vulnerability, medium-term macro-sustainability risks and the weakening relationship between poverty reduction and growth, the SCD finds that sustained progress on the twin goals will depend on the Kyrgyz Republic's ability to shift to a new, more dynamic growth model.*** The country achieved substantial progress in the past by following opportunistic adaptation to its environment, constraints, and opportunities. Migration, remittances, and gold production have supported growth and exports, and the urban economy was able to absorb surplus agricultural labor, thus generating one-off productivity gains. The sustainability and poverty impact of this paradigm are now under question with increasingly loose transmission from growth to poverty reduction (para 19) and high exposure to the shocks affecting regional economies. In view of these findings, the SCD argues that: (i) poverty reduction will need to be driven by higher, more sustainable growth, given limited scope for redistribution in a context of relatively low-income inequality and already-constrained fiscal space; and (ii) achievement of higher and sustained growth will inevitably require a more conducive environment for private sector investment, firm growth, and export orientation. This will require strengthening of economic policies, institutions, regulatory frameworks, and capacities. As public investment and debt levels are already high and efficiency gains from sectoral reallocations have already been tapped, faster and sustained growth will need to come largely from greater efficiency in public spending and within-sector productivity gains by private firms. This, in turn, presupposes a qualitative shift in the nature and scale of private sector activity, which, to date, has been characterized by widespread informality, poor access to finance, and limited growth beyond small and micro enterprises.

27. ***Transition to a new economic model will require a series of coordinated interventions to address the key obstacles that act as brakes on movement towards a private-sector driven, export-oriented economy and concomitant improvements in productivity and living standards.*** The SCD has identified three interlinked sets of challenges to the creation of a more hospitable environment for larger-scale private investment (domestic and foreign), including promoting opportunities for making the most of under-exploited endowments. These are summarized below:

- Address poor governance and institutional quality especially macro-fiscal stress, weaknesses in the rule of law, and the limited accountability/capacity of public institutions and officials. As already mentioned, the Kyrgyz Republic's fiscal stance has deteriorated in recent years, putting the country at heightened risk of debt distress. Meanwhile, the financial sector also remains exposed to currency risks due to high dollarization. These vulnerabilities – together with overall political instability – act as a deterrent to investors (especially international investors, who are critical to boosting productivity) who perceive the country as a relatively high risk. Encouraging greater investor confidence will, *inter alia*, involve ensuring a predictable, consistent and sustainable fiscal trajectory as well as greater efficiency in public spending. This calls not only for supporting fiscal consolidation targets but also building institutions/capacity for macro-fiscal management – particularly public investment management and banking sector supervision. The state will also need to refocus its role. Public policy has too often been unpredictable, distortive, or inefficient and there has been too little focus on providing an enabling environment for an inclusive private sector.
- Remove obstacles to private sector growth and formalization focusing, in particular, on improving the business climate, tackling external competitiveness constraints, addressing

connectivity and quality bottlenecks in infrastructure, and supporting mining and hydropower development. Progress in this regard would require a greater focus on: (i) addressing institutional gaps that drive a wedge between de jure regulation and actual implementation; (ii) amending or simplifying business regulations that create incentives for businesses to remain informal; and (iii) ensuring that efforts to improve the business environment are matched by commitment to maintaining policy stability and buttressing the rule of law (including improvements in governance and transparency).<sup>4</sup> Efforts to create a more conducive business environment also need to consider ways to focus on easing external competitiveness constraints in light of significant existing opportunities, including access to EEU markets, significant opportunities for hydropower export, and potential for BRI investments to reduce the distance to major markets. Promoting agriculture-based exports provides a good opportunity to stimulate local enterprise development, as well as create new jobs. Encouraging increased investment in mining, hydropower, and tourism is a particularly high priority since these sectors possess significant potential to boost growth while simultaneously generating the earnings necessary to help the Kyrgyz Republic alleviate the financing and foreign exchange constraints limiting investments in infrastructure, human capital, and social welfare.

- Improve opportunities and protection for the poor emphasizing means of improving agricultural productivity, since the impact of a one-percent increase in productivity agriculture makes a larger contribution to poverty reduction than either industry or services.<sup>5</sup> Beyond this, it also involves better targeting social protection programs/subsidies, addressing quality deficiencies in social services and promoting sustainable use/management of natural resources, while mitigating climate and disaster risks. Given the rural nature of poverty in the Kyrgyz Republic, realizing productivity gains in the agriculture sector would have a significant impact on the twin goals in the short term by raising rural incomes – while also enabling commensurate increases in exports. At the same time, as previously mentioned (para 13) targeting reforms are needed in social programs and subsidies to both ensure better coverage of the poorest households, as well as contain leakages. Similarly, strengthening health and education outcomes will help build human capital and improve the efficiency of public spending. Finally, as noted in para 22, addressing environment and climate risks is a critical element of protecting vulnerable households.

### **III. WORLD BANK GROUP PARTNERSHIP STRATEGY**

#### **A. The Kyrgyz National Development Strategy**

28. *As noted, the Kyrgyz Government unveiled its long-term Sustainable Development Strategy to 2040, which emphasized the need for higher growth, driven by the private sector,*

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<sup>4</sup> Weak governance remains KR's Achilles' heel: the country ranks 135th out of 180 in the 2017 Transparency International Corruption Perceptions Index; its Doing Business ranking has stagnated in the 70-77 range (of 190 countries) over the past five years because of pervasive implementation gaps. Surveys show corruption, political instability, lack of transparency, weak investor protection, and arbitrariness of state decisions.

<sup>5</sup> Also, the impact of higher agricultural productivity on rural poverty is highest in the small, open economy case where agricultural prices do not decline in response to the increase in productivity.

**greater trade integration, and human capital investments.** SDS 2040 anchors the long-term development of the country around three core objectives: (i) economic well-being of the people (including sustainable jobs, decent work and stable incomes; exports, especially from labor-intensive sectors; and regional development); (ii) social welfare (including health and education, social equity, and cultural revival); and (iii) governance and sustainability (including public order, civil service efficiency and accountability, and environmental sustainability).

29. ***The long-term national strategy is supported by a medium-term plan covering 2018-2022 and entitled “Unity, Trust, Creation”.*** This plan articulates comprehensive policy reforms with supporting investments. It accords high priority to addressing governance issues in a wide range of areas (from economic management to public services delivery), while also emphasizing the need for coordinated initiatives to leverage growth opportunities in key sectors of the economy, encourage digitalization of the economy, and promote spatially balanced economic development.

30. ***The “Unity, Trust, Creation” program is articulated around four priorities and three cross-cutting themes.*** The Plan seeks to significantly boost economic development through simultaneous efforts in four priority areas, namely: (i) closing infrastructure gaps; (ii) creating a more attractive investment environment (including through sound macroeconomic policies, investment promotion initiatives and tax reform); (iii) implementing PPP solutions and improving public assets management; and (iv) strengthening and deepening the financial sector. These priorities are to be complemented by efforts to improve human capital, defined as improvements in education and health quality, better social protection and cultural development. In addition, improvements in public administration are called for to improve the resilience of public functions and services in the face of frequent political changes and weak coordination and to anchor it through greater accountability of public officials to citizens (including through deploying ICT solutions). The government plan also identifies three cross-cutting themes intended to be mainstreamed across all government programs. These include careful attention to gender to promote both growth and inclusion, a systematic focus on environmental protection and disaster risk mitigation to reduce transient poverty and economic volatility, and, finally, the incorporation of ICT innovation across a wide range of public functions and services to improve efficiency and transparency.

31. ***The medium-term plan also contains a detailed, albeit ambitious, roadmap for rolling out a series of flagship initiatives in support of the identified priorities, which help define the CPF program.*** The flagship initiatives include: (i) digitization and development of e-governance and the e-economy; (ii) public administration strengthening; (iii) human capital development; (iii) spatially balanced development with the aim of developing growth clusters, especially in poorer, more isolated regions; (iv) pension reform with a view to making the system fairer, more efficient and sustainable; and (v) public security whereby the focus of law enforcement is expected to shift from a punitive orientation to one - centered on equal access to justice. Moreover, considerable emphasis is placed on regional/territorial development, given the need to address continuing social and ethnic divisions (para 8). As this suggests, the strategy is ambitious, and delivering on it in its entirety may be a tall order – unless clear criteria are developed for further prioritization within a realistic budget constraint. In addition, the past experience and recent political developments suggest that it may be difficult to achieve the political stability needed to successfully implement the far-reaching reforms foreseen in the government’s plan. Despite this need for greater realism, the medium-term plan and roadmap, nonetheless, set the direction of Kyrgyz development efforts for the next five years and, together with SCD findings, form a solid base on which the CPF

program is designed.

## **B. The WBG Country Partnership Framework**

### **Lessons from the CPS FY14-17 and Stakeholder Consultations**

32. *The overall development outcome of the CPS period (FY14-17) is rated Moderately Satisfactory* (Completion and Learning Review, Annex 4). The CLR identified a number of lessons which informed the design of the FY19-22 CPF:

- *Addressing governance challenges remains vital to Kyrgyz development efforts and requires a long-term approach – likely spanning several CPF periods – as well as efforts to mainstream governance considerations throughout the entire WBG program.* In this regard, it would be useful to build on the strong public demand for improved governance by fostering citizen engagement mechanisms, e.g. active community empowerment elements and tools, such as grievance redress mechanisms, citizen satisfaction surveys, and participatory planning.
- *Private sector development reforms need to go beyond a narrow focus on specific business climate indicators to take a more holistic view of the factors affecting investor confidence.* A related lesson is to continue to build on improved intra-WBG coordination, noting that regulatory reforms would yield highest impact when supported by Bank lending and WBG policy advice and are complemented by IFC investments. Under IFC 3.0 and the maximizing finance for development (MFD) approach, IFC will also aim to leverage selectively utilization of the IDA PSW and CMAW resources to expand the space of WBG collaboration in the Kyrgyz Republic.
- *Implementation of structural reforms should be accompanied by programmatic knowledge products and a stronger focus on communication and dissemination.* In addition, the Bank should make every effort to share important technical data in an accessible form that could buttress government initiatives to conduct comprehensive information and awareness raising campaigns. Systemic use of communications – pro-active messaging on the expected outcomes and benefits of a policy change or project intervention – has successfully supported the Bank’s interventions in sensitive sectors, such as rural water, energy, and education.
- *IDA financing should continue to be allocated only to programs of high national priority that enjoy strong commitment from the government and have dedicated champions in the implementing agencies.* Experience shows that most systemic portfolio issues - effectiveness delays, protracted decision making by an implementing agency, slow project implementation – could be overcome in cases where political support from the government and legislature was strong and/or there was a clear “champion” within the highest levels of the administration.
- *A final, overarching, lesson is that the CPF should incorporate both realism and flexibility in program design and expected results.* Experience shows that core structural impediments, specifically poor governance and limited capacity, compounded by political instability, limit the extent to which *de jure* improvements translate into outcomes, and



consistency in the reform trajectory can be sustained over time. Thus, WBG support should focus squarely on foundational interventions, while seeking to catalyze breakthroughs in a limited number of critical areas that enjoy clear counterpart buy-in.

33. ***Consultations on the CPS experience, SCD findings, and expectations for the CPF were conducted with a wide range of stakeholders to help ensure a relevant and responsive CPF program.*** The consultations were held in Bishkek and in the regions early in the CPF preparation process (November 2017) and again at a more advanced stage (March 2018) and included representatives of the government, members of parliament, representatives of regional and local governments, civil society, think tanks and academia, and private sector. Stakeholders broadly agreed that the current growth model is flagging and that a shift towards a more dynamic and productive private sector ecosystem is needed. They stressed the need for a complementary focus on demand and supply side interventions to unleash private sector growth (including with ‘big push’ initiatives in the energy sector and digital connectivity), and actions to bolster education/skills development and employability. Finally, stakeholders supported the notion of WBG involvement in supporting reforms and urged close cooperation with other development partners.

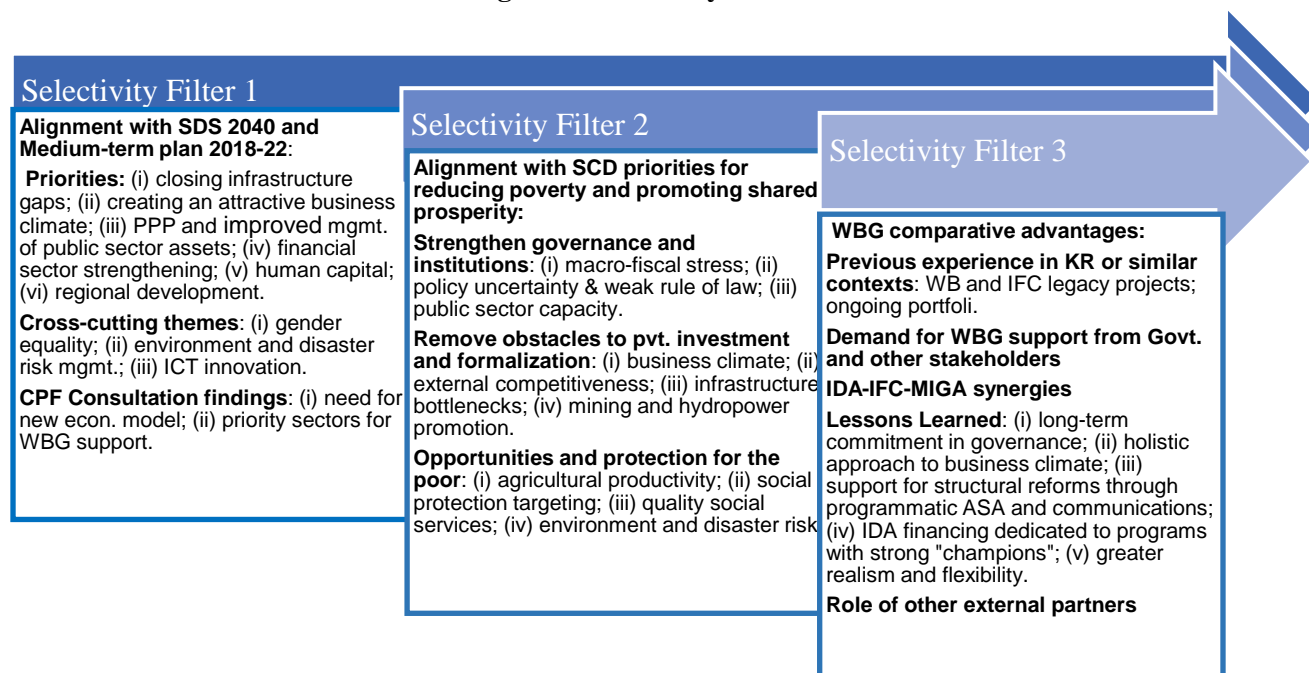
34. ***The consultations also suggested areas where WBG engagement would be most useful.*** Specifically, stakeholders requested that the WBG support the government in addressing job creation, fostering SME growth through reduced administrative burdens for businesses and improved access to finance, strengthening the quality of public services, building government capacity, promoting regional trade linkages, and addressing environmental issues. In addition to highlighting the importance of reforming education and enhancing skills for employability, private sector and civil society representatives placed a particular emphasis on the need to strengthen rule of law and anticorruption and increase government efficiency and accountability. Members of Parliament also asked the WBG to provide assistance in accelerating the development of the country’s regions through region-specific programs and facilitating knowledge exchange and innovations in the agricultural sector.

### **Overview of the World Bank Group Strategy**

35. ***The overarching goal of the CPF is to support further progress on the twin goals by assisting the Kyrgyz Republic to promote diversified, export-oriented, inclusive, and sustainable growth.*** This objective is aligned with both the country’s long-term development vision, embodied in Vision 2040, and the priorities laid out in the development plan for 2018-2022, “Unity, Trust, Creation.” In addition, it is consistent with the findings of the SCD discussed in Section II. The CPF strategy is built upon the priorities spelled out in the Kyrgyz Republic’s national development plans, the recommendations of the SCD, and the WBG’s comparative advantage. In line with this aim, the CPF focus areas were selected through the application of three main filters as summarized in Figure 2 below. The first filter ensures that the activity is a core element of the Kyrgyz national development plans and has wide ownership, the second filter considers SCD findings in order to prioritize those national plan activities that are critical to the achievement of the twin goals, and the third filter ensures that the WBG has the resources and comparative advantage to make a difference. Five factors are considered in determining the WBG’s comparative advantage: (i) previous WBG engagement in the Kyrgyz Republic or similar contexts; (ii) strong demand for WBG support by the Government and other stakeholders in a given sector/sub-sector; (iii) scope for an enhanced impact due to synergies between the WBG’s arms (IDA, IFC, MIGA); (iv)

consistency with lessons learned from the previous CPS; and (v) complementarity with the work of other external partners. The core activities included in the CPF meet all three criteria. The CPF is designed from the outset for an engagement of four years, with the provision that flexibility will be built-in over the course of program implementation to reflect changing circumstances. Changes will be reflected in a Progress and Learning Review (PLR) to be prepared at mid-term.

**Figure 2: Selectivity Filters**



36. *Based on the application of the above filters, the proposed CPF program for the Kyrgyz Republic has three mutually reinforcing Focus Areas and nine Objectives.* The first Focus Area (FA) addresses strengthening the foundations for inclusive private-sector led growth, focusing especially on strengthening institutions and capacities for fiscal stability, improvements to the regulatory environment for business, and risk reduction. The second FA aims at boosting overall productivity and building greater connectivity through support for the development of promising natural resource sectors and greater digital and physical connectivity. The third FA focuses on further creating economic opportunities and building resilience through investments in human capital, efforts to decentralize and support regional development and adapting better to environmental and climate risks. Table 2 provides a summary of the CPF FAs and objectives and is followed by a more in-depth description of the specific objectives and content of the CPF program.

**Table 2: Summary of CPF Focus Areas and Objectives**

<b>Focus Area</b>	<b>Objective</b>
Area 1: Strengthen foundations for inclusive, private sector-led growth	<ul style="list-style-type: none"> <li>• Objective 1: Strengthen institutions for improved macro management</li> <li>• Objective 2: Enhance conditions for private investment and diversification</li> <li>• Objective 3: Enhance financial deepening and inclusion</li> </ul>
Area 2: Raise productivity and build connectivity	<ul style="list-style-type: none"> <li>• Objective 4: Enhance growth of natural resource sectors, especially hydro-power</li> <li>• Objective 5: Promote digitization and development of e-economy</li> <li>• Objective 6: Build transport connectivity</li> </ul>
Area 3: Enhance economic opportunities and resilience	<ul style="list-style-type: none"> <li>• Objective 7: Develop human capital</li> <li>• Objective 8: Support regional development</li> <li>• Objective 9: Enhance resilience to climate change and disaster risks</li> </ul>

37. *Several development areas identified as priorities for the country and which are being addressed by other development partners will not be covered by the CPF program.* Regulatory work on standards, quality, borders and trade facilitation, as well as investments in economic corridors are being supported by the ADB, Eurasian Economic Commission, China, and Kazakhstan. Work on the customs administration is being supported by the ADB. Urban services are being supported by the EBRD. Therefore, these areas will not be a significant part of the CPF. A further area not being considered in the CPF is justice sector reforms, except investor protection, dispute resolution, and corporate governance, covered under the business environment advisory work.

38. *The existing portfolio, which will continue to be implemented throughout the CPF period, will provide critical support to the CPF goals.* The thrust on institutions and governance reforms will be maintained in a cross-cutting way. The portfolio in education lays the basis for deeper CPF engagement on strengthening skills, employability, and job creation. Existing operations in energy, infrastructure, irrigation, natural resources management, rural water supply and sanitation, and water resources management are already aimed at increasing efficiency, quality, productivity and resilience and, hence, provide a sound basis to support the CPF objective of diversified, export-oriented, inclusive and resilient growth.

39. *IFC remains committed to private sector development through both advisory and investment services, and by leveraging PSW and CMAW resources.* IFC will assess opportunities to contribute to all the three Focus Areas of the new CPF. It will continue to work closely with the IDA to enhance the investment climate, improve corporate governance, and stands ready to support the Government's privatization agenda. IFC will also aim to develop sustainable agribusiness and support value chains, deepen and diversify the financial sector, including through development of the microfinance sector, and will aim to enable private investments and PPPs in support of

infrastructure development, particularly, in energy, transport, ICT, as well as in health and education. Furthermore, the planned WBG Country Private Sector Diagnostic (CPSD) will help to identify constraints to creating markets and unleashing private investment in select sectors and will guide further joint WBG engagements in the new CPF cycle. The expansion of IFC's investment program depends greatly on the Government's dedication to the continuation of reforms, improving the business environment, governance and institutional capacity.

## **FOCUS AREA 1: Strengthen foundations for inclusive private sector-led growth**

40. *Focus Area 1 comprises WBG interventions to strengthen policies and institutions to enable diversified, private-sector led growth.* More specifically, interventions under Focus Area 1 will be grouped around three objectives:

- (i) Strengthen institutions for improved macro management;
- (ii) Enhance conditions for private investment and diversification;
- (iii) Enhance financial deepening and inclusion.

### **Objective 1: Strengthen institutions for improved macro management**

*Key outcome: adoption of and adherence to a fiscal rule*

41. *As discussed in Section II, macro-economic policies, and specifically the fiscal stance adopted over the past years, have resulted in heightened macro risks and increasing volatility, thus failing to provide the predictable environment that is a prerequisite to attracting significant new private investment and encouraging business growth.* Moreover, a large spending push has taken place despite a backdrop of low efficiency and weak fiduciary systems. Tax policy includes overly generous exemptions that undermine revenue capacity, as well as competition, and provisions that deter firm formalization and growth. Finally, subsidies for electricity, district heating and hot water – amounting to about 3 percent of GDP – drain public resources and constitute a wasteful method to support vulnerable households. The financial sector, albeit resilient to shocks thus far, displays vulnerabilities and is unable to adequately intermediate resources to the private sector.

42. *In this context, the WBG and the Government are exploring options for a series of Development Policy Operations (DPO) that will support gradual strengthening of fiscal institutions, anchored around the adoption and implementation of a robust fiscal rule to ensure a sustainable and predictable fiscal stance. Improved budget planning and oversight, including over allocative choices, will be a core element of this effort.* Moreover, given the fiscal pressures arising from energy sector implicit subsidies, the DPO series will help put in place electricity sector reforms, including appropriate tariff changes. The DPO program could also include reforms stemming from ASA engagement in the areas of (i) public financial management, including tax administration and policy, (ii) public procurement, and (iii) public investment management. A strong ASA program in developing fiscal strategies and rules, policies to promote formalization in the economy and raise productivity, public financial management (including procurement), public investment management, reforms in statistical system, reforms in tax regime and tax administration will provide the underpinning for DPO support. A Country Economic Memorandum, a PER, and a Country Private Sector Diagnostic will provide additional support for identifying policy reforms. The DPOs may also be directed at reforms to bolster economic

resilience and climate-change related policies.

## **Objective 2: Enhance conditions for private investment and diversification**

*Key outcome: Increase in exports*

43. ***Future growth and shared prosperity will depend crucially upon productivity increases in a growing and formalized private sector, beyond extractives.*** Nearly 70 percent of firms cite governance as the major constraint. Capacity constraints and corruption result in gaps between de jure design of regulation and de facto implementation. CPF support for an enhanced business climate will focus on the following sets of interventions:

- A Country Private Sector Diagnostic (CPSD), started in FY18, will help identify constraints to private sector-led growth in selected high-potential sectors. Together with the Country Economic Memorandum (CEM), it will help create a common WBG analytical basis and build agreement on policy reforms, advisory support, and investment aimed at supporting private sector growth.
- The efforts initiated under the past CPS to strengthen corporate governance will be maintained through a steady dialogue focusing on corporate governance improvements at the firm and regulatory levels. A technical assistance project on audit and financial reporting enhancement (TF, FY16) will raise standards in both private and state-owned businesses in corporate financial reporting and audit, accounting education, financial literacy, and use of financial information.
- With respect to public financial management, the aim is to improve the transparency of budget processes and disclosure of information, supported by DPOs and technical assistance to strengthen public investment management and procurement, and bolster competitiveness. The planned IDA Tax and Statistical Systems Modernization Project (Objective 1) will also help improve business conditions through tax simplification, removal of the anti-export bias in the tax system, greater equity in tax collections, as well as through improved transparency, quality, reliability, and timeliness of statistical information for policy-making and private investment decisions
- IFC will aim to complement WB/IDA technical assistance initiatives with advisory services focusing on improvements in laws, regulations and the implementation of business-climate related reforms. Furthermore, to support the level playing field for the private sector, IFC will explore opportunities to improve the sector-specific business enabling regulations and firm-level capacity. At the Government's request, IFC could support some of the companies on the privatization list by providing pre-privatization financing and helping to improve their corporate governance through advisory services. IFC will also selectively assess potential investment engagements with real sector firms to increase contribution of the private sector to the economy.

## **Objective 3: Enhance financial deepening and inclusion**

*Key outcomes: Increase in the number of MSMEs reached with financial services and increase in financial service access points*

44. ***The financial sector is vulnerable to shocks as it is highly dollarized and exposed to the volatility of developments in Kazakhstan and Russia. In addition, there continue to be regulatory gaps in supervision.*** The financial sector is shallow, and the level of intermediation is low. Weak institutions (e.g., secured transactions, judicial system) drive up risks and, hence, loan costs, and the system faces serious distortions from subsidized lines of credit that tend to be lent to the most creditworthy and politically connected. The micro-, small, and medium enterprises (MSMEs) sector is severely underserved.

45. ***To address these issues, the CPF includes policy support for financial sector strengthening through DPOs, ongoing operations and TFs, as well as knowledge products.*** The WBG is engaged in intensive support towards improvements in bank supervision, modernizing payments systems, and the development of institutions, such as credit registries and secured transactions, as well as increasing financial inclusion. The ongoing Financial Sector Project is supporting the creation of a post office bank to improve inclusion and lower the costs of intermediation. An IFC investment supported by the IDA private sector window is building up the first private equity fund in the Kyrgyz Republic to increase MSME access to finance.

46. ***Furthermore, IFC will continue to support financial sector deepening through both investment and advisory services, in partnership with banks, as well as non-bank and microfinance institutions, to improve access to finance for MSMEs and the agriculture sector in particular.*** IFC will complement investments with advisory services focused on improving risk management, MSME and microfinance lending, and micro-housing finance, emphasizing underserved sectors, such as gender, rural and Islamic finance. IFC will also work with financial intermediaries (FIs) to assist them in integrating environmental, social, and corporate governance standards in their due diligence and monitoring (portfolio management) process. An IFC advisory services project is planned on financial and responsible financial inclusion, to support the stability of the financial sector, and promote wider and safe usage of financial services.

## **FOCUS AREA 2: Raise productivity and build connectivity**

47. ***Complementing addressing constraints to private sector development under FA1, FA2 will seek to support government efforts to raise productivity and build connectivity by exploiting the country's endowments.*** Hydropower and mining are two areas with strong potential to boost growth and attract large scale private investment. Tourism potential is also high, given, inter alia, improved connectivity to domestic and regional markets. Development of digital economy is another lagging area, which, if addressed, could both catalyze the export of services and help to address critical governance issues associated with government-to-businesses and government-to-citizen services. Against this background, the CPF program will support the Kyrgyz Republic's development in three areas that could lead to transformative outcomes:

- (i) Hydropower development;
- (ii) Digitalization and e-economy development;
- (iii) Enhancing transport connectivity.

48. ***CPF interventions in support of the above objectives will combine knowledge, diverse financing instruments, and a "maximizing finance for development" approach to achieve concrete results on the ground at the lowest possible cost.*** The CPF intervention strategy is to

leverage synergies across the three main operational arms of the WBG (IDA, IFC, and MIGA) and to retain sufficient flexibility in design to allow for rapid adjustments in the event of political or policy developments/setbacks, as well as any changes in the degree of client ownership/commitment. As far as possible, CPF interventions under FA2 will rely upon a regional approach to maximize impact. Improvements in the climate for regional cooperation (especially improved relations with Uzbekistan) provide for a more conducive environment than was previously the case.

#### **Objective 4: Enhance growth of natural resource sectors, especially hydro-power**

*Key outcomes: Improve financial management in electricity and thermal power; and strengthen regulatory methodology in the energy sector*

49. ***Price distortions in energy coupled with inadequate operations and maintenance spending, results in poor service reliability and quality, especially during winter months.*** Despite the KR's tremendous potential for large-scale electricity production and exports, tariff policy and long-term governance issues have deterred private investment even as fiscal constraints make a greater private role in the sector critically important. Currently, exceptionally low tariffs and poor collections constitute implicit subsidies amounting to a staggering 3 percent of GDP. Improvements in relations with Uzbekistan have opened the possibility of joint investments and increased energy trade. CASA-1000, with WBG support, provides a platform for power exports, including additional opportunities for bilateral trade of power (particularly to Southern Kazakhstan and Uzbekistan). However, this will require additional power generation to feed into CASA-1000 and thus help fulfill government's contractual obligations. To support sound development of the energy sector, the CPF program includes a number of complementary interventions by IDA and IFC (with MIGA standing ready to support possible private sector involvement in the sector). These include:

- Over the CPF period, implementation of a medium-term energy tariff policy with clear cost recovery objectives will be critical. In support of this end, the WBG will provide further knowledge support, including on refinement of tariff categories. Social risk and the impact of tariff increases on the vulnerable will be mitigated through targeted support (e.g. life-line tariffs). Policy reforms in this area, as well as the reform of the renewable energy support framework and least cost additional generation planning, will be supported through advisory work, as well as DPOs.
- The existing portfolio will continue to provide strong support to improving energy supply. The Electricity Supply Accountability and Reliability Improvement Project (FY15) aims to strengthen distribution infrastructure to improve reliability of energy supplies and improve customer service and corporate management systems in a major distribution company. The Heat Supply Improvement Project (FY18) targets improving supply efficiency and quality of the Bishkek district heating system together with financing priority investments and capacity building. It also pilots efficient and clean heating stoves for households. Moreover, it supports a reduction in electricity consumption in public buildings through efficiency gains and builds local capacity in energy efficient and seismic building retrofits.

- IFC will also continue to provide advisory services to improve the enabling environment for medium-scale hydropower projects through PPPs. IFC will continue to explore investment opportunities for new large hydro projects, depending on the introduction of needed reforms, particularly on energy tariffs. WBG-financed investments will provide a strong impetus for reform over the CPF period. The first phase of the CASA-1000 500 kV transmission line will be constructed starting from 2018, paving the way for electricity exports to South Asia. The WBG is also working on a comprehensive Naryn river basin assessment, analyzing optimum cascade sequence and energy mix options.
- Following the introduction of needed reforms, particularly on tariffs in the energy sector, and in the event that political commitment firms up for a “big-push” effort in energy, the WBG will support governance, technical and investment needs within the framework of the maximizing finance for development approach (Box 1). The Bank will focus on governance and policy reforms and possibly risk guarantee financing to improve the stability and efficiency of the electricity grid. The IFC and the government are discussing medium/large hydropower plants for PPPs with external financing, including use of the PSW. Moreover, IFC will use the IDA CMAW to provide advisory support for transactions, including the development of PPPs. MIGA would be open to providing political risk guarantees, including use of the PSW.



## Box 1: Maximizing Finance for Development in the Power Sector

NEED	OPPORTUNITY	HOW
<ul style="list-style-type: none"> <li>• Replace and increase generation capacity to meet demand (45% of generation assets are beyond useful life)</li> <li>• Increase electricity exports to monetize hydro resources</li> <li>• Improve operation and management of power sector entities for generation, transmission and distribution (T&amp;D losses are high and power supply has suffered from serious break-downs in recent years)</li> <li>• Improve the reliability and efficiency of District Heating (district heating assets are old and inefficient, built 20-50 years ago)</li> </ul> <p style="text-align: center;"><b>ENABLERS</b></p> <ul style="list-style-type: none"> <li>• Growing political will to address sector issues</li> <li>• UZ becoming more supportive to HPPs in KG</li> <li>• CASA-1000 – Long -term, fixed-price supply agreement; penalties for insufficient supply</li> <li>• Opportunities for power export to KZ&amp;UZ</li> </ul> <p style="text-align: center;"><b>BARRIERS</b></p> <ul style="list-style-type: none"> <li>• <u>Low Tariffs</u>. Power sector is financially unsustainable: sector revenues 21% lower than cost of production in 2016</li> <li>• <u>Financing</u>. High political risk</li> <li>• External debt to GDP ratio limits public financing/guarantees opportunities</li> <li>• Low capacity to implement PPPs</li> <li>• Regulatory uncertainty</li> </ul>	<p>GoKR wishes to build new HPP capacity through the private sector – up to 2,000 MW of new/upgrade capacity (investment of \$3bn):</p> <ul style="list-style-type: none"> <li>• To fulfil its obligations to CASA</li> <li>• To meet domestic electricity demand</li> <li>• To allow more exports</li> <li>• To increase efficiency</li> </ul> <p style="text-align: center;"><b>SOLUTION</b></p> <ul style="list-style-type: none"> <li>✓ Long-term plan to increase HPP generation capacity</li> <li>✓ Step-by-step approach to commercialization of the power sector</li> <li>✓ Continued comprehensive program aimed at loss reduction through distribution network strengthening and modernization and improvement of commercial processes.</li> <li>✓ WBG support conditioned on: <ul style="list-style-type: none"> <li>• Sector reforms to address financial sustainability and governance issues</li> <li>• Enabling legal and regulatory environment for PPPs for HPPs</li> <li>• Corporatization of DH/Discos, if appropriate</li> </ul> </li> </ul>	<p style="text-align: center;"><b>World Bank</b></p> <ul style="list-style-type: none"> <li>✓ Support energy sector policy, legal framework, planning, guidance on safeguard issues, competitive selection, governance, regulation, and tariff reform in parallel to exploring private initiatives in the sector</li> <li>✓ Gradual phase out of subsidies</li> <li>✓ Tariff support including social protection</li> <li>✓ Residual Financing (to achieve CASA tariff)</li> <li>✓ Partial risk guarantees</li> <li>✓ Investments and bridge financing.</li> </ul> <p style="text-align: center;"><b>IFC</b></p> <ul style="list-style-type: none"> <li>✓ IFC already engaged with GoKR to identify the first medium/large HPP for a PPP</li> <li>✓ Leverage IDA Private Sector Window and Creating Markets Advisory window for: <ul style="list-style-type: none"> <li>• Energy advisory to foster private sector projects and corporatization of Discos</li> <li>• Transaction advisory for PPPs</li> <li>• Commercial and/or blended finance</li> </ul> </li> </ul> <p style="text-align: center;"><b>MIGA</b></p> <p>Political risk guarantee, including use of IDA Private Sector Window</p>

## **Objective 5: Promote digitalization and development of e-economy**

*Key outcomes: Improved regional fiber-optic connectivity and enhanced e-government capacity*

50. ***Digitalization is an essential pillar of competitiveness, private sector development, and fight against corruption.*** It is critical to raising business productivity and creating jobs, and to implementing e-governance, which is a major government priority. Digital connectivity also presents a unique opportunity for a land-locked country like the Kyrgyz Republic to enable the exports of services. However, the country lacks reliable connectivity infrastructure, has low basic ICT literacy rates, and is short of advanced digital skills. It is important to strengthen the payments system infrastructure to support e-commerce and encourage a shift towards electronic payments, which will also stimulate the formalization of the economy and improve tax compliance.

51. ***The WBG will help the country unlock dividends from digitalization while mitigating risks through advisory work on digital platforms, digital identity, digital literacy, and legal and regulatory adaptations, and, possibly, the country's participation in the Bank's global blockchain initiative.*** These efforts represent a continuation of WBG support on the Open Data program, assessments of digital government, cloud computing, cybersecurity, and transport data. To facilitate electronic governance, DPOs will support the passage of laws on electronic management, signature, and data protection. The DPO instrument will also be used to support amendments to the law on electronic communications to enhance competition in the allocation of radio spectrum and swifter dispute resolution between service providers.

52. ***A digital economy assessment will be conducted under the digital CASA regional project.*** The joint WBG Digital CASA project (FY18) aims at lowering the cost, raising the quality of digital communications services, and improving electronic government services, with an emphasis on closing the "digital divide" through empowering rural populations, youth, and women.

53. ***Private sector development will be promoted through the establishment of a seamless, open-access cross-border fiber optic backbone.*** Growth in the telecommunications and IT markets will be stimulated with improving prospects for individual digital entrepreneurship. The public sector will have higher quality access to the internet, ability to store data more reliably, and launch new digital services. Under the project, an assessment of telecommunications infrastructure (with a focus on broadband) and a comprehensive review of the legal and regulatory framework for telecommunication services will be undertaken; IFC will explore opportunities to support the country's digital infrastructure through the development of PPPs and will assess the potential of selective investments in the sector. The digitalization program offers an opportunity for maximizing finance for development (Box 2) with complementary roles played by the public and private sectors. The WBG will explore this with relevant partners.

## Box 2: Maximizing Finance for Development to Support Digitalization

CHALLENGES	OPPORTUNITIES	HOW
<p>Economic growth/competitiveness and social cohesion constrained by:</p> <ul style="list-style-type: none"> <li>• Insufficient digital infrastructure</li> <li>• Limited access and affordability of internet services</li> <li>• Low degree of digital adoption in public and private service delivery</li> </ul> <p><b>UNDERLYING FACTORS</b></p> <ul style="list-style-type: none"> <li>• Incomplete legal and regulatory environment</li> <li>• Landlocked, global Internet traffic bypassing Central Asia</li> <li>• Limited regional integration</li> <li>• Limited use of ICT across the economy</li> <li>• Low level of private investment</li> <li>• Low digital literacy of the population</li> <li>• Limited public sector financial resources</li> </ul>	<ul style="list-style-type: none"> <li>• Strong political will at the highest level</li> <li>• Competitive telecom sector</li> <li>• Strategic geographic location, with links to China, Central and South Asia</li> <li>• Few but qualified IT professionals</li> <li>• Access to cheap green energy</li> </ul> <p><b>SOLUTIONS</b></p> <ul style="list-style-type: none"> <li>• Leverage private investment to accelerate roll-out of infrastructure</li> <li>• Targeted public investment to act as a “magnet” for private investment</li> <li>• Comprehensive digital program</li> <li>• Digital infrastructure: fiber backbone (regional, domestic), datacenters</li> <li>• Digital government transformation and transparency</li> <li>• Digital skills development</li> <li>• Regulatory modernization</li> <li>• Digital leadership and communications</li> </ul>	<p><b>WORLD BANK</b></p> <p>Digital CASA and Open data grant to finance public sector investments in:</p> <ul style="list-style-type: none"> <li>• Long-term purchase of internet and datacenter services from private providers</li> <li>• Connectivity and e-government applications throughout government</li> <li>• Skills development initiatives</li> <li>• Regulatory reforms</li> <li>• Increased government transparency</li> </ul> <p><b>IFC</b></p> <ul style="list-style-type: none"> <li>• IFC exploring opportunities to finance fiber and datacenter investments</li> <li>• IFC potential involvement in helping GoKR structure PPPs for development of related infrastructure (e.g. datacenter) under Creating Markets Advisory Window</li> <li>• Leverage IDA Private Sector Window</li> </ul> <p><b>MIGA</b></p> <p>Potential risk guarantee, including use of the IDA Private Sector Window</p>

## **Objective 6: Build transport connectivity**

*Key outcome: Reduced travel time to Almaty from Karakol in the Issyk-Kul region of the KR*

54. ***Connectivity plays a vital role in local integrated development and promotion of tourism. The Central Asia Regional Roads project (CARs) contributes to growth and employment in Batken region and, more broadly, integrates the Fergana Valley across the Kyrgyz Republic, Tajikistan, and Uzbekistan.*** Moreover, the north-south international road corridor will spur growth, as will the rehabilitation of sections along Bishkek-Osh road, and the road across Batken to connect second largest economic centers in Kyrgyzstan and Tajikistan, Osh and Khujand, respectively. Infrastructure financed through the Belt and Road Initiative, notably railways passing through the south to Uzbekistan, will support spatial development.

55. ***The follow-up CARs project to be undertaken under this CPF will support both regional integration and tourism by establishing improved road linkages between the naturally beautiful Issyk-Kul area of the KR to the Almaty area of Kazakhstan and by opening new, more direct, links to China.*** Further, it will support integrated development of Issyk-Kul oblast, particularly in tourism and agriculture, opening up the space for export-led rural enterprise development and new kinds of jobs. The project will also assist with digitalization: optic fiber ducts will be placed along the road, and the project will be based on climate-resilient infrastructure considerations. IFC will assess opportunities for engagement to increase the role of the private sector in modernizing transport infrastructure through the development of PPPs by providing transaction advice initially followed by possible investments. The WBG will also provide support for raising efficiency in aviation sector governance and improvements in aviation safety, as well as the development of a tourism strategy for Issyk-Kul. The CARs project complements other regional initiatives being pursued by development partners, particularly CAREC-2030, which supports the development of economic corridors, regional trade facilitation, and trade in services.

## **FOCUS AREA 3: Enhance economic opportunities and resilience**

56. ***The CPF envisages a number of interventions targeted at income generation, human capital development and increased resilience among vulnerable Kyrgyz households.*** This objective will be pursued through engagements designed to make sure that the development process is spatially balanced (given significant geographic disparities that overlay social divides), that all Kyrgyz citizens are adequately tooled to take advantage of new economic opportunities, and that progress today does not come at the expense of future generations. FA3 encompasses the following three objectives:

- (i) Develop human capital;
- (ii) Support regional development;
- (iii) Enhanced resilience to climate change and disaster risks.

## Objective 7: Develop human capital

*Key outcomes: improved poverty targeting of social programs and education outcomes related to results on the national school-leaving exam and adult competencies and workplace skills; and provision of improved access to drinking water supply*

57. ***The Kyrgyz Republic inherited a Soviet legacy of broad, near-universal access to social services, and has maintained high spending on education, health and social protection.*** As building skills (whether cognitive, socio-emotional, or technical) can drastically improve employment outcomes, social outcomes, and civic engagement, the government's emphasis on social spending is warranted. However, despite increasing expenditures, social service quality remains poor and the content of the services may often be ill-suited to emerging needs. For instance, as the Kyrgyz Republic's economy develops and becomes more reliant on technology, innovation, and services, the labor market will likely demand more non-routine cognitive skills and changing business and production processes will require regular skills updating.

58. ***To help reduce the mismatch between education content and labor market needs, the CPF program builds on the existing portfolio of operations to:*** (i) strengthen the formal educational system and adult education/life-long learning programs to increase market-relevant skills; (ii) enhance learning outcomes in basic education, include digital literacy in the curriculum, and improve assessment; (iii) expand early childhood education both to facilitate women's participation in the labor market as well as to develop children's school readiness and wellbeing; and (iv) bridge gender-based educational gaps. In support of these objectives, the CPF will include a focused study to better understand the gaps in student learning. Implementation of the findings of the study will be supported through an investment operation for education/skills development. IFC will also explore opportunities to increase private sector participation in the education sector through PPPs and through potential direct investments. Progress on skills development will be monitored through OECD measures on adult competencies and literacy, workplace skills and ICT skills, and by the national school-leaving test that measures the preparedness of the workforce entering the labor market. These indicators are not included in the Results Matrix at the present time, as the baseline values are still to be measured. They will be incorporated into the matrix at mid-term via the Progress and Learning Review (PLR).

59. ***With regard to health, there is concern that overall outcomes, and particularly maternal and child health (MCH) outcomes, lag behind other countries in Central Asia and Southern Caucasus - due both to poor basic service quality and inadequate complementary investments in water and sanitation.*** In addition, while the incidence of more complex non-communicable diseases is growing rapidly, the system remains ill-prepared to cope with their more complex care requirements and higher costs. Health financing, which is already unsustainable due largely to poor contribution collection rates, will come under additional pressure as the epidemiological pattern continues to change. Finally, social assistance programs display a similar pattern of unsatisfactory outcomes in relation to the volume of expenditures. Persistent transient poverty, together with high levels of chronic poverty, point to inadequacies in targeting and the coverage of programs.

60. ***Against this background, health sector analytical work over the CPF period will focus on quality improvements in health service delivery, and the operations of the health insurance fund.*** A planned program for results (P4R) operation in health will draw on the study findings and

build on the results achieved under the second phase of the Sector-Wide Approach project (SWAp). It is anticipated that the P4R operation will focus, inter alia, on the quality of health care and improving procurement for health services. The necessary measures to improve efficiency and quality will be supported through project design over the CPF and will accord a high weight to inclusion considerations. IFC, building on the recent success of catalyzing the hemodialysis PPPs, is exploring new PPP opportunities in the health sector. IFC's PPPs pipeline in health is designed to maximize the effectiveness of public spending while increasing service quality. Complementing the engagement in the health sector, the ongoing IDA-financed rural water supply and sanitation project will improve safe water and sanitation coverage in 91 participating rural villages in Osh, Chui and Issyk-Kul Oblasts through infrastructure and institutional investments for improved service delivery and strengthened capacity of central and local government administrations and service providers. The project leverages IsDB funding in support of the government's national program.

61. ***Coverage of social assistance for the poor is well below the number of poor individuals in the population and, with the important exception of benefits to poor families with children, assistance is generally categorical and hence poorly targeted.*** To address this issue and more clearly define the objectives and the beneficiary criteria for social protection, the CPF program will include a study aimed at improving targeting in social protection spending with a systematic focus on how best and more accurately to cover the poorest and most vulnerable households. Study findings will be implemented through policy dialogue and DPO support.

## **Objective 8: Support regional development**

*Key outcome: increase in crop yields in areas with water user associations (WUAs)*

62. ***As discussed previously, KR has experienced an increase in regional disparities over the past decade as measured by the average gross regional product per head.*** Persistent spatial disparities in living standards and opportunities may have direct impacts on aggregate economic efficiency – as many low-income regions fail to make productive use of the resources available to them, often due to the absence of supportive infrastructure and/or technical knowhow. Increasing regional disparities also often pose a threat to social and political cohesion. Thus, concern for regional convergence is justified both from an economic perspective and from a socio-political one. The government accords high priority to regional development and has announced a regional development plan for 2018-22. In supporting the government plan, the CPF will seek to bring together international best practices to promote convergence in opportunities.

63. ***Complementing the ongoing efforts under the CASA community support project to help communities in the path of the CASA transmission lines with improved livelihoods, rural infrastructure and access to electricity, the WBG will support local/regional development in two poor, but high potential, oblasts.*** The first of these is the northern oblast of Issyk-Kul which has rich commercial agriculture and tourism potential but lacks complementary physical investments and supporting institutions. The second area covers the poorer southern areas of Osh, Jalalabad and Batken, where the recent political opening with Uzbekistan has created opportunities for stimulating growth. In these latter provinces, the WBG will support government efforts to seize this opening to support a growth and job-creation strategy, building on the region's substantial endowments in water, agriculture and minerals and the recently expanded cross-border transit and trade potential. In agriculture, initially the focus here will be to enhance rural incomes through

increases in productivity and diversification. The rural water and sanitation project complements investments in both Osh and Issyk-Kul oblasts, as well.

64. ***For all the selected regions, the CPF program places a considerable emphasis on agriculture sector development, given its dual importance as a source of private enterprise development through (export-led) commercialization, as well as enhancement of rural livelihoods for most villagers.*** The sector offers a significant scope for expansion and productivity improvements due to the currently low levels of sophistication and commercialization – with gaps spanning the entire value chain, from access to modern inputs to storage, quality standards, and inefficient irrigation. Demand from food quality/safety conscious consumers in neighboring large countries creates good market prospects for the Kyrgyz Republic, especially in dairy and livestock projects. The WBG dairy project addresses this need. Finally, by expanding activities from farming to post-farm processing, logistics, and development of food systems, the CPF program will create new opportunities for jobs and income growth.

65. ***Several interventions during the CPF period will support the agriculture sector development and modernization on a national level as well.*** For instance, a study on climate-change effects and their implications for agriculture will be undertaken to guide policy formulation; a WBG advisory product will support technology upgrading in agri-business through the use of innovative tools; and DPOs will support the adoption and operationalization of a law on food safety in order to aid exports to EEU and world markets. The CPF program will also encourage a sharper focus on modernization of management practices and systems in irrigation. Investments in new irrigation canals will also be developed taking greater account of the agriculture production change and climate-change adaptation effects. The advisory support offered by the WBG will encompass ways to leverage private financing for irrigation, a pre-requisite for which is improved efficiency in water asset management. IFC will continue to assess opportunities to support, through both investment and advisory services, food processing and food retail companies, and the development of sustainable supply chains, where opportunities may arise for the provision of supplier finance and advisory services in the areas of food standards and resource use efficiency.

## **Objective 9: Enhance resilience to climate change and disaster risks**

*Key outcome: strengthened emergency preparedness and response systems*

66. ***Building environmental and social resilience are long-term challenges.*** The high climate-change vulnerability of the economy and the close linkages between environmental and social risks - especially in agriculture which is most highly exposed to environmental factors - require urgent policy attention to building resilience. The Kyrgyz Republic is also among the most exposed in the region to natural hazards. Therefore, promoting sustainable use and management of natural resources and mitigating climate and disaster risks is vital for the growth model and for achieving the twin goals and, more importantly, for sustaining them over the long run. In this context, the CPF places high priority on strengthening resilience, focusing on the twin action agenda: namely, promoting sustainable management and use of natural resources; and improving the management and mitigation of natural risks and disasters.

67. ***Relevant interventions in each of these areas over the CPF period would include both ongoing and new activities.*** A key ongoing activity in this area is the heat supply improvement project which is increasing the efficiency of heating services through support for the rehabilitation

of district heating in Bishkek, modernization of its combined heat and power plant, installation of smart heat and hot water meters, a corporate resource management. In addition, as discussed under Objective 4, the ongoing Electricity Supply Accountability and Reliability Improvement Project will also contribute to this objective by reducing network losses.

68. ***With respect to disaster risk reduction, the CPF program will help the authorities improve disaster risk information and promote risk-informed policy-making.*** This will include a systematic and programmatic implementation of disaster risk reduction initiatives in key sectors as well as enhancing disaster preparedness and response capacities. Early warning systems for disaster risk are also being strengthened, particularly for mountain hazards. A major focus will lie in increasing the capacity of the government to absorb fiscal, financial, and economic shocks. The ongoing Enhancing Resilience Project is intended to strengthen capacity to respond to disasters and reduce their impact on the budget. It focuses on the safety and functionality of school infrastructure, includes reconstruction and retrofitting together with greater energy efficiency and expansion of water, sanitation and hygiene services. A related technical assistance is developing options for further improvements to existing school infrastructure, seismic retrofitting and design a long-term strategy for safer schools. The heat supply improvement project also finances improvements in heating systems in schools and hospitals to address seismic risks.

69. ***In the effort to promote energy efficiency across sectors, IFC will explore the possibility of real sector investments, where energy efficiency can be increased,*** provide as needed targeted credit lines to banks for on-lending to industrial enterprises, and carry out advisory work, as needed, to create markets and improve market access for energy efficient products and promote more efficient and green processes in the industrial sector.

### **C. Implementing the Country Partnership Framework**

#### **Financial Envelope**

70. ***The CPF lending envelope for FY19-FY20 is derived from IDA18, with additional lending for the two final years of the CPF period to be financed through IDA19.*** The IDA18 indicative allocation for the Kyrgyz Republic is between US\$260-US\$300 million<sup>6</sup>. The country is also eligible to access funds from the IDA regional window, and it has absorbed substantial IDA regional funds: for example, in FY18, it received commitments of US\$30 million for regional digital projects and, in FY19, it received US\$20 million for regional roads. It is also among the first beneficiaries of the IDA Private Sector Window. An IFC investment of US\$4 million in an SME fund was complemented by an investment of US\$4 million from the IDA Private Sector Window.

71. ***In addition, it should be noted that substantial IDA funds are available for disbursement from the ongoing portfolio, which is relatively young.*** In the last two years alone (FY17-FY18), the IDA Board approved new commitments amounting to US\$214.5 million for 8 projects, the

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<sup>6</sup> IDA18 volumes are indicative, as actual Performance Based Allocations will be determined annually during the FY18–FY20 period and will depend on: (i) total IDA resources available, (ii) the number of IDA-eligible countries; (iii) the country's performance rating, per capita gross national income, and population; and (iv) the performance and other allocation parameters for other IDA borrowers.



bulk of which will be disbursed over the CPF period. The projects have been reviewed as part of the CPF process and are fully consistent with the CPF FAs and objectives as laid out in the preceding section of this document. Annex 2 provides a full list of ongoing projects that will support CPF objectives over the next four years. As noted, the expansion of IFC's investment program will greatly depend on the Government's dedication to reforms and more specifically on progress with SOE reforms, privatizations and PPPs, infrastructure modernization, energy sector reform, financial sector diversification and strengthening. Improving the business environment, governance and institutional capacity are fundamental priorities to enable economic diversification through increased private sector participation.

### **Planned Lending and ASA**

72. *Tables 3 and 4 below provide an indicative program of WBG lending and analytical work to be undertaken over the CPF period.* The proposed lending includes a mix of development policy operations (DPOs) and investment projects showing IDA and IFC activities. The analytical and advisory work program (Table 4) will provide the basis for policy dialogue in key areas and, together with existing knowledge products, support the design of economic reforms. ASA findings will also help determine the scope and content of future lending operations.

**Table 3: Indicative CPF Program**

<b>Focus Areas</b>	<b>Planned lending</b>
<b>Strengthen foundations for inclusive, private sector-led growth</b>	Development Policy Operations (FY19-US\$24 m, FY20 -US\$40m (TBC)) Capacity Building in Public Finance Management (FY18-US\$3.01m) Tax and Statistical Systems Modernization (FY20-TBD) Potential IFC investments in financial institutions, manufacturing and services
<b>Raise productivity and build connectivity</b>	Energy Sector Improvement Project (FY21-amount TBC in IDA19) [MFD] Heat Supply Improvement Project (FY18-US\$46m) AF for National Water Resources Management Project (Phase 2) (FY19 – US\$5.5m) Digital CASA (FY18-US\$50m*) [MFD] Potential IFC investments in infrastructure, including in (renewable) energy, transport and ICT related sectors
<b>Enhance economic opportunities and resilience</b>	Skills for a Smart and Prosperous Nation (FY21-amount TBC in IDA19) Potential IFC investments in education and health Health PforR (FY19-\$20m) Local Integrated Development (Issyk-Kul, FY20-US\$20m; in Osh/JA/Batken – FY21-22 - amount TBC in IDA19) Central Asia Road Links – Phase 3 (FY19-US\$55m*) CASA-1000 Community Support Project (FY18-US\$10m*) Enhancing Resilience Project (FY18-US\$20m) AF for Central Asia Hydrometeorology Project (FY19-US\$5m*) Potential IFC investments in agribusiness

\* Including regional IDA allocation

**Table 4. Indicative Analytical and Advisory Program**

<b>Focus Areas</b>	<b>ASA, IFC AS</b>
<b>Strengthen foundations for inclusive, private sector-led growth</b>	Country Economic Memorandum (fiscal rule, promoting formalization and enhancing productivity growth) (FY18-19) Country Private Sector Diagnostics (FY19) Public Expenditure Review IFC advisory services: investment climate, including with sectoral focus on agribusiness and tourism, integrated environmental, social and corporate governance, support to financial sector development, including microfinance IFC Azerbaijan-Central Asia Financial Infrastructure Project IFC Azerbaijan and Central Asia Micro and Responsible Finance FCI: Kyrgyz Investment Climate Program FCI: ACAFI and EDFs projects Housing Microfinance Project FCI: Central Asia Agri-finance Project (FY14-20) New Corporate Governance Project (TBC) Central Asia Trade Logistics Project
<b>Raise productivity and build connectivity</b>	Electricity sector (FY19) IFC Central Asia Renewable Energy Advisory Potential IFC advisory services in support of infrastructure development, particularly renewable energy (i.e. hydro and solar PPPs) and transportation Implementing Open Data Action Plan (FY18) Potential IFC advisory services in support of developing data center PPP in the framework of Digital CASA
<b>Enhance economic opportunities and resilience</b>	Education quality/skills/employability study (FY20) Study on improving health services delivery and quality (TBC) Social protection Note on contingent financing approaches in the event of a natural disaster Potential IFC advisory services in support of health, and education sectors, including facilitation of PPPs Potential IFC advisory services in support of energy efficiency across sectors. IFC advisory services in support of the development of sustainable agribusiness FCI: KGKR Dairy Development (ICFY17IC)

73. ***CPF implementation will involve joint work by the three main WBG operational arms – IDA, IFC, and MIGA – building on the successful experience of the recent past.*** The SCD was prepared by a joint Bank-IFC team, with each arm bringing its unique experiences to bear on the document. This collaborative approach will be continued across a range of knowledge activities during the CPF period, including core diagnostics, such as the Country Economic Memorandum, and more focused reports related to business climate, financial sector reforms, agri-business, and energy. Joint teams are also working on lending operations in these areas. A unified WBG approach is also integral to planned work in infrastructure, as well as to the mobilization of private funds for new initiatives in climate-change finance and social services delivery.

74. ***DPOs covering critical reforms in fiscal adjustment, governance, energy reforms, and business environment will anchor the CPF lending program, serving as the principal lending vehicle for operationalizing the findings of the past and planned analytical work.*** DPOs will also be a central tool for raising climate co-benefits. Learning from past experiences with such operations, the new DPOs will ensure firm government ownership of the reforms supported and build in mechanisms for ensuring that regulatory changes are effectively followed by implementation. Such actions will be parsimonious and not process-oriented but address critical measures that need to be taken for high-priority objectives to be achieved. Fiscal adjustment and key sector reforms, particularly in energy, will lie at the heart of the macro-program. DPOs will be extended only if past commitments and actions on reform are fully in place and not reversed.

75. ***The WBG will systematically look for opportunities where the “maximizing finance for development” approach (crowding in private capital and/or private delivery) could provide better impact and enlarge the fiscal space.*** It will use its instruments of promoting regulatory changes or de-risking to address the critical constraints that inhibit private investment. To the extent that the “Maximizing finance for development” approach is implemented in KR, there will be a need for WBG risk-mitigation support through a variety of instruments. Inter alia, these include the MIGA Guarantee Facility, Risk Mitigation Facility and Blended Finance Facility of the IDA18 IFC-MIGA Private Sector Window (PSW), which is already being used for an investment into a local risk capital fund. MIGA is ready to deploy its risk insurance products in the Kyrgyz Republic in the promising mining and hydropower sectors, provided improvements in governance and application of investment laws occur. Projects in these sectors typically involve agreements which are backstopped by government guarantees; consequently, having the appropriate legal and regulatory frameworks in place will be critical to attracting foreign investment. Measures contained in the development policy operations and various planned knowledge products (e.g., in energy) are directed at easing such constraints.

76. ***Knowledge activities will be directed to addressing high priority development needs and will devote more attention than in the past to the identification of practical tools to improve implementation, e.g., in governance, business climate, health, agriculture, electricity, and irrigation.*** Knowledge products will be developed in close cooperation with local talent and think tanks, as well as regional resources, learning from regional and global experiences. The CPF strategy is to ensure full congruence of knowledge products with development and investment priorities while also ensuring greater responsiveness and timeliness by keeping knowledge products shorter and more narrowly focused, thus, enabling shorter delivery times. In this regard, emphasis will be placed on enhanced screening of TF-financed ASA to curtail opportunistic or ad hoc activities. These actions should help to provide agile and targeted services to the client, reduce administrative costs, and raise development impact. Knowledge products will serve as central vehicles for regular engagement with parliamentarians, civil society organizations, private sector, and academia on reform priorities and lending directions.

### **Financial Management and Procurement**

77. ***The areas of financial management and procurement are critical to raising the quality of governance and will continue to be a central focus of WBG support during the CPF period.*** With regard to financial management, the Bank worked closely with the government over the last CPS period to institute major reforms of the internal audit (IA) function across government agencies. In particular, the IA methodology was improved, a quality assurance and improvement program was implemented, and support was provided for ongoing professional development,

including development and adoption of appropriate training materials. Next steps are expected to include passage of necessary legislative changes (and associated regulations) and development of a certification program for internal auditors. The program has demonstrated some success in terms of coverage and quality of public sector internal audits, but there is still room for improvement with respect to the frequency, quality, and distribution of audit reports, as well as systematic management response to internal audit findings. However, recent initiatives to centralize or partially abolish the internal audit function in the government could lead to loss of focus and reverse some of the gain achieved to date. Some of the important gains achieved in the procurement area (particularly the universal application of a new law on procurement) are also in danger of being eroded. In this regard, a main concern is the pressure to create on exemptions to firm procurement rules and regulations. In this context, the WBG will maintain a focused dialogue supported by ASA, training, and lending to both help maintain the high standards that were put in place in the recent years, as well as to seek means of further improving quality and transparency over the CPF period.

### **Partnerships**

78. ***The WBG will coordinate its activities with other development partners with the overall objective of assisting the Kyrgyz Republic to attain the SDG goals.*** To enhance the impact of the sizable external assistance that the country enjoys and avoid duplication of effort by donors, the WBG will use its convening power to consolidate these efforts around major reforms and play an active role in donor coordination. The WBG has already established partnerships with the ADB, EADB, EBRD, IsDB, EU, GIZ, DfID, JICA, Switzerland, USAID, and other development partners through co-financing and parallel financing of investment operations in the energy, transport, health, social protection, water supply and sanitation, and water resource management. The WBG closely coordinates its program with the IMF, EU, and ADB and will work in coalition with them to support reforms.

79. ***The WBG will work especially closely with the IMF on macro-economic policy questions, as well as financial sector reforms.*** The extended credit facility arrangement with the Fund was terminated in April 2018 and no successor program is yet in place<sup>7</sup>. A medium-term Fund program remains essential for two reasons: first, because convergent dialogue on structural reforms between the WBG and the IMF provides strong support to the country in implementing reforms, especially in light of the Kyrgyz Republic's low institutional capacity; and second, because fiscal and debt stability are critical to the primary CPF goal of promoting private sector-led growth. Thus, in the absence of Fund arrangements, WBG-supported DPOs would need to delve deeper on issues pertaining to core reforms and the WBG will need to exercise sharper macroeconomic surveillance, in close dialogue with the Fund, including over developments in non-concessional borrowing, in line with the country's obligations to IDA.

80. ***Partnering with the private sector is also a central element of the CPF strategy.*** Digital investments should prioritize private sector solutions, utilizing PPPs and private investment in support of digital governance, digital agriculture, digital health, digital tourism, digital finance and Smart Cities. In energy, regulatory and tariff reforms may crowd-in private investment in medium and large hydro-generation, bolstered by de-risking facilities, where need be. In disaster

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<sup>7</sup> Key commitments under the arrangement that remain unfulfilled relate to amendments to the Banking Law to strengthen resolution of banks, refraining from extending tax exemptions, and reforms in energy tariffs, wage and social payments policies.

management, the WBG could help build private insurance markets given the flow of premium funds for protection of dwellings and other assets.

81. ***Building on the strong experience with citizen engagement, the WBG will focus on the quality of overall engagement and ensure high compliance with corporate objectives.*** A citizen engagement country roadmap (see Annex 8) will be implemented, that will focus on improving capacity in project implementation units and maintaining priority for engagement in projects to attain deeper impact. Platforms will be developed to intensify links between citizen monitoring and information flows, reinforce constructive engagement, trust-building and dialogue, especially between state and non-state actors, strengthen youth voice and accountability, and build mechanisms to better reach marginalized groups.

#### **Monitoring and evaluation.**

82. ***The CPF will be monitored continuously, supplemented by periodic formal evaluations.*** The mid-term Performance and Learning Review will be prepared in late FY20 on the basis of the results framework. Reviews of the portfolio and the ASA activities will be conducted at half-yearly intervals to ensure prompt and pro-active attention to performance and to the adoption of corrective measures when warranted.

## **IV. MANAGING RISKS**

83. ***Overall risk to the achievement of the CPF results is rated High. Application of the SORT tool to the Kyrgyz Republic context provides a screening mechanism as to the principal sources of risk, an essential first step towards managing risks in the CPF.*** Based on the assessment of risks vis-a-vis the CPF program, two groups of risks stand out as especially high – political and governance and institutional capacity (Table 5). These risks are elaborated below. Both the intentional CPF flexibility in choice of instrument and level of support, and the 2020 PLR provide means for the WBG to adjust its program should some or many of these risks materialize.

**Table 5: Risk Assessment**

<b>Risk Categories</b>	<b>Rating</b>
1. Political and governance	High
2. Macroeconomic	Substantial
3. Sector strategies and policies	Substantial
4. Technical design of project or program	Substantial
5. Institutional capacity for implementation and Sustainability	High
6. Fiduciary	Substantial
7. Environment and social	Moderate
8. Stakeholders	Substantial
<b>Overall</b>	<b>High</b>

84. ***Two sets of risks have been assessed as high – namely, political and governance and institutional capacity for implementation and sustainability.*** Political risks arise from both external and internal factors and could affect progress on the core elements of the CPF program, such as the DPL series. In terms of political risks arising from external factors, the main concerns

relate to the security environment in Central Asia and Afghanistan and the narcotics trade, as well as shifts in regional relationships. Internal risks relate principally to residual social and ethnic tensions and a history of frequent changes of government. These risks are being tempered by a shift in power from the President towards a cabinet system of government, with accountability to a vigorous and assertive parliament. The first peaceful transition of presidential power is a stabilizing factor. Governance risks stem from political-business ties, still-weak (though slowly improving) institutions, and deficiencies in the investment environment, which is insufficiently rules-based. The CPF is addressing governance risks through its long-standing anti-corruption and PFM reform support, through the DPOs and ASA, and through advisory work in energy. The WBG support to business climate improvements will play a major role in improving governance in the medium term. Building capacity and incentive structures for implementation will help address risks, but it is just as vital to sharpen supervision of implementation of change, to act upon feedback, and to hold the government accountable to implementation concerns.

**85. *Institutional capacity risks arise from weak policy and project implementation management skills, inadequate coordination across organs of the government, and gaps in technical skills.*** As noted in the section on lessons learned, the past CPS experience showed that the absence of systematic implementation of existing legislation and regulation has been a major cause of disappointing policy and project performance. A key factor underlying this weakness has been inadequacies in monitoring and evaluation instruments and practices, with weak feedback channels that could be used to draw lessons and make mid-term corrections. In the proposed CPF period, the WBG dialogue and technical assistance will place weight on diagnosing capacity and institutional risks in all activities and on the development of monitoring and evaluation mechanisms within the context of mitigating risks.

**86. *In addition to the above high-risk areas, there are substantial risks related to the macro economy, sector strategies, and technical design of projects and fiduciary weaknesses.*** The development policy operations with their emphasis on fiscal adjustment, together with IMF-supported programs, will mitigate economic risks. The strong effort in the CPF in pushing the agenda on potentially transformative sectors with lending and ASA will mitigate sector risks and improve the technical design of projects. Moreover, the effort on raising the quality of spending and upgrading of skills will improve the technical design of social sector policies and the delivery of services. Substantial risks are also attached to fiduciary management. The long-standing procurement reforms with the committed assistance of the WBG is showing promising results but need to be consolidated in the CPF period. Budget transparency and discipline are also being strengthened through the development policy operations and ASA.

**87. *Environment and social risks are moderate and are being mitigated.*** Environmental issues are being addressed in the context of the COP-21 commitments and the development partner-supported activities on climate change. With respect to social tensions, the ongoing social reconciliation initiatives in the south of the country are being facilitated by the improving political and social atmosphere in the Ferghana Valley, especially the thawing of relations with Uzbekistan. The CPF will provide strong support in both of these areas as described in the section on CPF objectives.

**88. *Despite the high level of risks associated with the CPF program, the high potential rewards justify the WBG engagement in the Kyrgyz Republic.*** The principal rewards of engaging with the client despite high general risks are expected to be a stabilized political and administrative system, and a resetting of the country's economic path to a more dynamic one of sustained growth,

job creation and broader inclusion. This will help to stabilize the region that is facing serious external risks and bring the benefits of trade and transit to the Kyrgyz Republic, Central Asia region, and global community, as a whole.

**Links between the SCD and CPF Program**

SCD findings have played a central role in the design of the CPF focus areas and objectives, as the table below indicates.

**SCD Priority Areas and CPF Focus Areas**

<i>Overarching theme: toward a new growth model driven by private sector investment</i>	
<b>SCD identified priorities</b>	<b>CPF Links</b>
<b>Address poor governance and institutional quality</b>	<i>Focus Area 1: Strengthen foundations for inclusive private sector-led growth</i>
1. Macro-fiscal stress	<ul style="list-style-type: none"> <li>Objective 1: Strengthen institutions for improved macro management</li> </ul>
2. Policy uncertainty and weak rule of law	<ul style="list-style-type: none"> <li>Objective 1: Strengthen institutions for improved macro management</li> </ul>
3. Low accountability, or capacity, of public officials	<ul style="list-style-type: none"> <li>Objective 1: Strengthen institutions for improved macro management</li> </ul>
<b>Remove obstacles to private sector growth and formalization</b>	<i>Focus Area 1: Strengthen foundations for inclusive private sector-led growth</i> <i>Focus Area 2: Raise productivity and build connectivity</i>
4. Business environment weaknesses	<ul style="list-style-type: none"> <li>Objective 2: Enhance conditions for private investment and diversification</li> </ul>
5. Poor external competitiveness	<ul style="list-style-type: none"> <li>Objective 2: Enhance conditions for private investment and diversification</li> <li>Objective 4: Enhance growth of natural resource sectors, especially hydro-power</li> </ul>
6. Infrastructure bottlenecks, particularly connectivity	<ul style="list-style-type: none"> <li>Objective 4: Enhance growth of natural resource sectors, especially hydro-power</li> <li>Objective 5: Promote digitization and development of e-economy</li> <li>Objective 6: Build transport connectivity</li> </ul>
7. Obstacles to mining and hydropower development	<ul style="list-style-type: none"> <li>Objective 4: Enhance growth of natural resource sectors, especially hydro-power</li> </ul>
<b>Improve opportunities and protection for the poor</b>	<i>Focus Area 3: Enhance economic opportunities and resilience</i>
8. Low productivity agriculture	<ul style="list-style-type: none"> <li>Objective 8: Support regional development</li> </ul>
9. Lack of targeting in social protection programs resulting in large exposure to shocks and inefficient public spending	<ul style="list-style-type: none"> <li>Objective 7: Develop human capital</li> </ul>
10. Quality deficit in social services	<ul style="list-style-type: none"> <li>Objective 7: Develop human capital</li> </ul>
11. Poor management of natural resources and exposure to climate change and disaster risks	<ul style="list-style-type: none"> <li>Objective 9: Enhance resilience to climate change and disaster risks</li> </ul>



**ANNEX 2****Ongoing Portfolio to be Implemented During the CPF Period**

Project Name	Approval FY	Closing	Net Comm Amt (\$m)	Tot Undisb Bal (\$m)
<b>Build Foundations for Inclusive Growth and Job Creation Through Private Sector Development</b>				
Capacity Building in PFM 2	FY18	08/31/2020	3.01	3.01
<b>Support Transformative Investments to Enhance Growth Potential</b>				
Digital CASA - Kyrgyz Rep.	FY18	05/31/2023	50.00	48.63
Electricity Supply Accountability	FY15	12/31/2019	25.00	5.30
Central Asia Road Links -Kyrgyz Republic (Phase 1)	FY14	04/30/2019	45.00	21.39
Heat Supply Improvement Project	FY18	12/31/2023	46.00	47.52
<b>Build a More Resilient Economy</b>				
Third Village Investment Project	FY15	11/30/2020	12.00	7.86
CASA1000 Community Support Project - Kyrgyz Republic	FY18	06/30/2023	10.00	10.13
Enhancing Resilience in Kyrgyzstan	FY18	01/31/2024	20.00	19.52
Integrated Forest Ecosystem Management	FY16	09/30/2021	12.00	11.51
Integrated Forest Ecosystem Management (GEF TF)	FY16	09/30/2021	4.11	3.77
Pasture Management Improvement Project	FY15	03/31/2019	15.00	7.89
Agriculture Productivity and Nutrition Improvement Project	FY16	06/30/2022	38.00	32.67
Sustainable Rural Water Supply and Sanitation Development Project	FY17	06/30/2025	59.50	54.21
Integrated Dairy Productivity Improvement	FY17	12/31/2020	5.00	5.10
Urban Development Project	FY16	12/31/2020	12.00	10.19

## CPF Results Framework

Focus Area 1: Strengthen foundations for inclusive, private sector-led growth		
<p>The WBG will assist the government to strengthen policies and institutions to boost inclusive growth, notably through supporting economic stability and improvements in the investment climate, and in building human capital to secure private sector-led job creation. These objectives are priorities in the government national development strategy, though policies to secure economic stability remain to be defined.</p>		
CPF Objective 1: Strengthen institutions for improved macro management		
<p><b>Intervention Logic:</b> The Kyrgyz economy has suffered from high growth volatility, partly arising from pro-cyclical fiscal policies that have led to a near-exhaustion of fiscal and public debt space. Critical to sustained productivity growth is economic stability. The central message of the SCD is that future growth relies crucially upon achieving productivity gains, which, through wage growth, will lead to greater inclusion. Productivity gains require steady growth, private investments, and exploiting the opportunities offered by the large EEU market. The high degree of informalization makes productivity improvements difficult, and tax reforms require perseverance in implementation. Deepening of financial markets requires improvements in banking supervision, modernizing payments systems and promoting inclusion. It is of particular importance to eliminate gradually subsidies for electricity, district heating and hot water that amount to 3 per cent of GDP; low energy tariffs are a highly wasteful method to support the vulnerable. Raising the quality of public spending requires spending outturns by category to correspond to budgeted amounts. It has proven difficult at times to follow stabilizing fiscal policies; adherence to a fiscal rule will require discipline. WBG interventions therefore seeks to help the government re-gain fiscal and external debt space and lay the foundations for steady productivity growth through a series of Development Policy operations, capacity building in Public Finance Management and ASAs, notably the economic study supporting policies to raise productivity and enhance formalization, raise quality of spending and efficiency through the elimination of energy subsidies and enhance the efficiency of public investment.</p> <p><b>Challenges:</b> Establish fiscal discipline by following a firm fiscal rule to support targets on fiscal deficit. Improve budget discipline. Build capacity in public financial management and strengthen procurement.</p>		
CPF Objective indicators	Supplementary Progress Indicators	WBG Program
<p><b>Fiscal rule adopted and in effect</b>            Baseline: No rule in effect (2017)            Target: A three-year record (2018-2021) of firm adherence to the fiscal rule established (2021)</p>	<p><b>Fiscal deficit (as per cent of GDP)</b>            Baseline: 4.7 (2017)            Midpoint: 3.4 (2019)            Target: 3.0 (2021)</p>	<p><u>Current program:</u></p> <p>DPF:</p> <ul style="list-style-type: none"> <li>- Economic Governance DPO (FY19)</li> </ul> <p>Trust Funds:</p> <ul style="list-style-type: none"> <li>- Capacity Building in Public Finance Management - 2 (FY18)</li> </ul>

		<p>ASA:</p> <ul style="list-style-type: none"> <li>- Enhancing Public Investment Management (FY18)</li> </ul> <p><u>New program (tentative):</u></p> <p>DPF:</p> <ul style="list-style-type: none"> <li>- Development Policy Operations (FY19, FY20, TBC)</li> </ul> <p>ASA:</p> <ul style="list-style-type: none"> <li>- Country Economic Memorandum (fiscal rule, promoting formalization and enhancing productivity growth) (FY18-19)</li> <li>- Public Expenditure Review</li> </ul>
<b>CPF Objective 2: Enhance conditions for private investment and diversification</b>		
<p><b>Intervention Logic:</b> Private sector growth is constrained by weaknesses in business enabling environment, infrastructure bottlenecks, and implicit public subsidies. Doing Business ranking has stagnated in the 70-75 range (out of roughly 190 countries) over the past five years because of pervasive implementation gaps. Procedures for SME registration, permits, utility connections, and access to credit and digital financial services needs attention as does the overall streamlining of customs and tax administrations, including quality standards. Infrastructure development should focus on ICT, within a strengthened efficiency framework for public investment, and a shift away from SOE investments to quality public infrastructure through PPPs. Cost-based utility pricing policy would encourage private investments in hydro-power and in water resources for irrigation. Great export potential could be unlocked through reforms in royalty and tax regimes for mining, and predictability in regulatory behavior. In the high-potential dairy sector, export prospects would be enhanced by improvements in standards and quality, which today pose binding constraints.</p> <p>The thrust of the past CPF on governance will be maintained through mainstreaming of governance and a steady dialogue focusing on the business climate and public financial management. Weak governance and arbitrary application of laws and regulations have deterred foreign investment. The WBG will continue to pursue its intense dialogue on business climate improvements by strengthening and streamlining the regulatory framework and institutions, narrowing the implementation gap, incentivizing agencies to fully implement laws and regulations, and adapting the reform design in light of learning and experience.</p> <p>The WBG will continue to provide advisory services to improve the business enabling environment. IFC will aim to complement WB/IDA technical assistance initiatives with advisory services focusing on improvements in laws, regulations and implementation of business-climate related reforms. Furthermore, to support the level playing field for the private sector, IFC will explore opportunities to improve sector specific business enabling regulations and firm level capacity. IFC, upon Government's request, could support some of the companies on the privatization list by providing pre-privatization financing and helping to improve their corporate governance through advisory services. IFC will also</p>		

<p>selectively assess potential investment engagements with real sector firms to increase contribution of the private sector to the economy.</p> <p><b>Challenges:</b> Modernize and implement regulations governing the business environment and improve corporate governance. Mobilize foreign capital for investments. Raise dairy exports. Impose market discipline on public enterprises, adhere to the strategic privatization program, and foster public-private partnerships.</p>		
CPF Objective indicators	Supplementary Progress Indicators	WBG Program
<p><b>Increased export of agribusiness (dairy) products</b></p> <p>Baseline: USD 22.6 mln<sup>8</sup> (2016)</p> <p>Target: 20 % increase (2021)</p>	<p><b>Number of Recommended Enabling Business Environment and Pro-Competition Laws, Regulations, Amendments, and Codes Enacted; Policies Adopted; and Administrative Procedures Streamlined</b></p> <p>Baseline: zero (2017)</p> <p>Target: 40 (2021)</p>	<p><u>Current program:</u></p> <p>IPF:</p> <ul style="list-style-type: none"> <li>- Integrated Dairy Productivity Improvement Project (FY17)</li> </ul> <p>IFC Advisory:</p> <ul style="list-style-type: none"> <li>- FCI: Kyrgyz Investment Climate Program</li> <li>- Central Asia Trade Logistics</li> </ul> <p><u>New program (tentative):</u></p> <p>IPF:</p> <ul style="list-style-type: none"> <li>- Tax system modernization (FY20)</li> </ul> <p>ASA:</p> <ul style="list-style-type: none"> <li>- Country private sector diagnostics (FY19)</li> </ul> <p>IFC Advisory:</p> <ul style="list-style-type: none"> <li>- New investment climate project (TBC)</li> <li>- New corporate governance project (TBC)</li> </ul>
<p><b>CPF Objective 3: Enhance financial deepening and inclusion</b></p>		
<p><b>Intervention Logic:</b> KR's financial sector is vulnerable to shocks as it is highly dollarized and exposed to the volatility of developments in Kazakhstan and Russia. In addition, there continue to be regulatory gaps in supervision. The financial sector depth is relatively shallow, and the level of intermediation is low. Total domestic credit to the private sector as a share of GDP stands at just 23 percent, higher than the 19.6 percent average for low-income economies, but well below the 42.7 percent average of LMICs. Only 18 percent of the population (aged over 15 years)</p>		

<sup>8</sup> Export of milk and dairy products

holds an account at a formal financial institution, compared to 43 percent for the Europe and Central Asia region in 2014. Weak institutions (e.g., secured transactions, judicial system) drive up risk and hence loan costs, and the system faces serious distortions from subsidized lines of credit that tend to be lent to the most creditworthy and politically connected. The micro-, small, and medium enterprises (MSMEs) sector is severely underserved. IFC through both investment and advisory services will continue to support financial sector deepening and in partnership with the banks, as well as non-bank and microfinance institutions, improve access to finance for MSMEs and the agriculture sector. IFC will complement investments with advisory work services focused on improving risk management, MSME and microfinance lending, and micro-housing finance, emphasizing underserved sectors such as gender, rural and Islamic finance and Islamic banking. IFC will also work with financial intermediaries (FIs) to assist them in integrating environmental, social, and corporate governance standards in their due diligence and monitoring (portfolio management) process.

**Challenges:** Strengthen bank supervision and payment systems; deepen the reach of the financial system in terms both of financial services and credit for MSMEs and individuals.

CPF Objective indicators	Supplementary Progress Indicators	WBG Program
<p><b>Demand side - MSMEs reached with financial services</b> Baseline: 205,382 (2017) Target: 450,000 (2021)</p> <p><b>Supply side - Increase of physical access points for financial institutions per number of MSME (in percent)</b> Baseline: zero (2017) Target: 20% (2021)</p>	<p><b>Demand side - Increase of MSME reached with financial services</b> Target: 300,000 (2019)</p> <p><b>Supply side - Increase of physical access points financial institutions per number of MSME (in percent)</b> Target: 8% (2019)</p>	<p>IFC Advisory:</p> <ul style="list-style-type: none"> <li>- Central Asia Agrifinance Project (FY14-20)</li> <li>- Azerbaijan-Central Asia Financial Infrastructure Project</li> <li>- Azerbaijan and Central Asia Micro and Responsible Finance</li> <li>- Microfinance and Housing project</li> <li>- FCI: Enhance Financial Deepening and Inclusion</li> <li>- Electronic and Digital Financial services</li> </ul>
<b>Focus Area 2: Raise productivity and build connectivity</b>		
<p>The WBG will assist the government in raising the growth potential of the economy by concentrating its interventions in two areas that could lead to transformative outcomes: digitalization and energy. These two areas are accorded the highest priority in the official national development strategy as they are seen as paths to high export growth, a greener economy, and as strongly supportive of private sector-led growth and fight against corruption. The WBG will also assist in building transport connectivity.</p>		
<b>CPF Objective 4: Enhance growth of natural resource sectors, especially hydro-power</b>		
<p><b>Intervention Logic</b> Performance in the sector has been hobbled by poor management, lack of cost-recovery tariff policies leading to waste of resources and severe under-spending in operations and maintenance, and weak cooperation with neighbors on the optimal joint exploitation of energy and water</p>		

resources. In particular, the failure to follow through with medium-term tariff increases has been highly costly. Other challenges lie in improving distribution, raising efficiency by reducing technical losses, improving asset management, and financial management. The reform of the renewable energy support framework and least cost additional generation planning are priorities.

The strong comparative advantage in renewable energy enjoyed by the Kyrgyz Republic lays the basis for powering exports and growth. The willingness of the authorities to improve governance and management (including financial management and transparency of electricity operations) and to plan a medium-term programme of tariff reforms is encouraging. WBG interventions are directed at improving overall sector governance, as well as seeking improvements in the efficiency and financial sustainability of the sector. The Bank-supported CASA-1000 will revolutionize the prospects of exports. The sector studies prepared by the WBG over the past CPF period and investments made offer a strong basis for assisting the authorities with their governance, regulatory and tariff reforms, and expanding generating capacity, including through private sector involvement. In addition, advice was provided on improving the enabling environment for small-and medium-scale hydropower projects and opportunities for new large hydropower projects.

IFC will continue to provide advisory services to improve the enabling environment for small-and medium-scale hydropower projects through PPPs. IFC will also explore investment opportunities for new large hydro-projects and depending on the introduction of needed reforms, particularly on tariffs in the energy sector. In promoting energy efficiency, IFC will explore real sector investments where energy efficiency can be increased, provide as needed targeted credit lines to banks for on-lending to industrial enterprises, and carry out advisory work, as needed, to create markets and improve market access for energy efficient products and promote more efficient and green processes in the industrial sector.

**Challenges:** Strengthen regulatory governance in the energy sector and attain cost-recovery in electricity and thermal power. Implement the CASA-1000 transmission project and provide commensurate power generation.

CPF Objective indicators	Supplementary Progress Indicators	WBG Program
<b>Reaching cost recovery in electricity and thermal power</b> <i>Cash collection per kWh of electric energy generated</i> Baseline: 1.06 som (2017) Target: 1.65 som (2021)  <i>Cash collection per Gcal of generated heat at Bishkek CHP</i> Baseline: 847.4 som (2017) Target: 1450 som (2021)	<b>Construction of CASA Transmission Line in the Kyrgyz Republic</b> <i>Progress in construction of CASA transmission line</i> Baseline: Project effective (2018) Midpoint: construction has commenced (2019) Target: 450 km constructed (2021)	<u>Current program:</u> IPF: <ul style="list-style-type: none"> <li>- CASA-1000 (FY14)</li> <li>- Electricity Supply Accountability and Reliability Improvement Project (FY15)</li> <li>- Heat Supply Improvement Project (FY18)</li> </ul> ASA: <ul style="list-style-type: none"> <li>- Energy Tariff Reform (FY17)</li> <li>- Hydro Development Roadmap: integrated river basin assessment for</li> </ul>
<b>Strengthen regulatory methodology in the energy sector</b>	<b>Improving efficiency of Bishkek central heating</b>	

<p><i>Adoption of a regulatory policy for annual cost submissions to be made by energy companies to support tariff adjustments.</i></p> <p>Baseline: No policy exists (2018)</p> <p>Target: Policy in effect for at least one year (2021)</p>	<p><i>Share of residential multi-apartment buildings in Bishkek billed based on building-level heat and hot water metering (in percent).</i></p> <p>Baseline: 20 % (2017)</p> <p>Midpoint: 30 % (2019)</p> <p>Target: 70 % (2021)</p>	<p>Naryn river (FY19/20)</p> <ul style="list-style-type: none"> <li>- Electricity sector dialogue and TA (FY19)</li> </ul> <p>IFC Advisory:</p> <ul style="list-style-type: none"> <li>- Central Asia Renewable Energy Advisory</li> <li>- Potential new IFC advisory services in renewable energy,</li> <li>- Exploring hydro and solar PPPs to improve energy mix, including regional energy trade to optimize resources and mitigate seasonality of hydro and intermittency of solar</li> </ul> <p>IFC Investment:</p> <ul style="list-style-type: none"> <li>- Potential investments in renewable energy generation</li> </ul> <p>MIGA</p> <ul style="list-style-type: none"> <li>- Potential opportunity (political risk guarantee)</li> </ul>
<p><b>CPF Objective 5: Promote digitalization and development of e-economy</b></p>		
<p><b>Intervention Logic:</b> The country has low basic ICT literacy rates and lacks advanced digital skills. Laws and regulations need to be adopted or amended to facilitate electronic governance and establish a seamless, open-access cross-border fiber optic backbone managed under high governance standards by an independent consortium. Digitalization is an essential pillar of competitiveness and the fight against corruption and critical to raising business productivity and to the implementation of e-governance. The WBG will help the country unlock dividends from digitalization whilst mitigating risks through advisory work on digital platforms, digital identity, digital literacy, and legal and regulatory adaptations. It will review the adequacy of the telecom infrastructure. IFC will explore opportunities to support the country's digital infrastructure through the development of PPPs and will assess the potential of selective investments in the sector. The WBG Digital CASA project (FY18) aims at lowering cost and raising quality in digital communications services and in improved electronic government services, with an accent on closing the “digital divide” through empowering rural populations, youth and women ICT literacy will be raised through WBG interventions in skills and employability.</p> <p><b>Challenges:</b> Building digital infrastructure. Improving e-governance capacity. Raising ICT literacy.</p>		

CPF Objective indicators	Supplementary Progress Indicators	WBG Program
<b>Improved regional fiber-optic connectivity</b> <i>International Internet bandwidth per capita (kilobit per second per person)</i> Baseline: 21.30 (2016) Target: 60.00 (2021)	<b>Length of fiber-optic network</b> Baseline: 16,281 km (2017) Mid-point: 16,681 km (2019) Target: 17,281 km (2021)	<u>Current program:</u> IPF: <ul style="list-style-type: none"> <li>- Digital CASA – Kyrgyz Republic (FY18)</li> </ul>
<b>E-governance capacity enhanced</b> <i>E-Services and applications utilizing the shared services platform (in numbers)</i> Baseline: zero (2017) Target: 20 (2021)	<b>Digital transactions conducted on the State Portal of E-Services per year</b> Baseline: zero (2017) Midpoint: 100,000 (2019) Target: 1,000,000 (2021)	Trust Funds: <ul style="list-style-type: none"> <li>- Implementing Open Data Action Plan for the Kyrgyz Republic (FY18)</li> </ul>
	<b>E-filing rate of VAT returns</b> Baseline: 30% (2017) Midpoint: 50% (2019) Target: 70% (2021)	<u>New program (tentative):</u> IFC: <ul style="list-style-type: none"> <li>- Explore options to support the government in developing a data center PPPs in the framework of Digital CASA</li> <li>- Potential IFC investments in ICT</li> </ul> MIGA: <ul style="list-style-type: none"> <li>- potential opportunity (political risk guarantee)</li> </ul>
<b>CPF Objective 6: Build transport connectivity</b>		
<p><b>Intervention Logic:</b> Key objectives involve raising the efficiency in road management, reform of aviation sector governance, the development of amenities for tourism in Issyk-Kul oblast, together with raising private sector participation, notably through PPPs where IFC has a role. Transport connectivity will exploit the advantages of the country as a key trans-continental transit location. Connectivity investments will be closely tied to the development of the tourism sector and will support integrated local development.</p> <p><b>Challenges:</b> Realizing efficiency gains in road asset management. Raising private sector participation. Incorporate climate-change resilient designs.</p>		
CPF Objective indicators	Supplementary Progress Indicators	WBG Program
<b>Travel time savings from Karakol to Almaty</b> (time taken, in percent) Baseline: index=100 (2017)	<b>Number of vehicles passing through Karkyra Border Crossing Point (KZ-KG)</b>	<u>Current program:</u> IPF:



Target: index=90 (2021)	Baseline: 1500 (2017) Target: 1,800 (2021)	<ul style="list-style-type: none"> <li>- Central Asia Road Links – Kyrgyz Republic (CARs-1) (FY14)</li> <li>- APNIP (FY15)</li> </ul> <p><u>New program (tentative):</u> IPF:</p> <ul style="list-style-type: none"> <li>- Third Phase of the Central Asia Regional Links Program (CARs-3) (FY19)</li> </ul>
<b>Focus Area 3: Enhance economic opportunities and resilience</b>		
<p>The WBG will assist Kyrgyz society to fortify its resilience through its interventions in three areas: first, strengthening the Kyrgyz social fabric by promoting inclusion and raising the quality of public spending, especially in skills, health and social protection, rural water supply and sanitation, <i>inter alia</i>, by exploring the role of PPPs in social sectors; second, mainstreaming climate change and disaster risk considerations throughout the CPF; and, third, through promoting integrated local development. These objectives are well aligned with the official development strategy, which gives prominence to a cluster on social development and on environment/ climate change.</p>		
<b>CPF Objective 7: Develop human capital</b>		
<p><b>Intervention logic:</b> A focus on skills for employment has been identified as critical to enhancing competitiveness and raising productivity. Improvements in the labor market relevance of vocational education and alignment of training to the demand for skills, especially in the export areas of agriculture, textiles and tourism, are important. A further challenge is to bridge gender-based educational gaps and target women to business, IT and vocational training. Growth based on productivity gains is constrained by weaknesses in cognitive competencies and skill limitations and low employability of human capital; the CPF is designed to address these deficiencies, as well as to enhance learning outcomes of basic education, integrate digital literacy and improve assessments of educational outcomes from the existing portfolio. The WBG interventions will aim at enhancing the quality and relevance of education to enable the acquisition of job-related skills. IFC will also explore opportunities to increase private sector participation in the education sector by assisting initially with the structuring of PPPs, which could increase educational quality and efficiency of budgetary expenditures, potentially followed by direct investments.</p> <p>Despite encouraging access indicators and high spending for public services, quality and equity remains low. The health system faces a rise in non-communicable diseases and maternal mortality remains high. Spending on social protection is high, but persistent transient poverty (in addition to high levels of chronic poverty) points to inadequacies in targets and coverage of programmes.<sup>9</sup> There is a clear need to define more clearly the objectives and the user criteria for social protection. Improving equity in and the quality of public spending will promote inclusive growth. To these ends, WBG interventions in health through an innovative performance for results project targeting the quality of health care and improving efficiency in spending via procurement reforms, and in social protection by assisting the design of sharper targeting will deliver</p>		

<sup>9</sup> Education was addressed under Objective 3.

<p>sustained reforms. IFC in particular will aim to build on the recent success of establishing the first PPP project in the country in dialysis services and assess new PPP opportunities, and potential follow-up investments, in the health sector so as to improve the capacity, efficiency, and quality of medical services.</p> <p><b>Challenges:</b> Build stronger cognitive competencies and foundational education skills. Enhance teacher quality and strengthen governance in education. Sharpen targeting mechanisms in social protection so as to concentrate resources on the poor. Attain improvements in hospital services and in maternal care.</p>		
CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
<p><b>Enhanced cognitive competences/foundational skills</b> (basic literacy and numeracy) measured by National Sample based Assessment at grade 8 (NSBA) (percent, of which girls) Baseline: mean score: 541.6 (2017) mean score for girls: 560.7 (2017) Target: 4% + (2021), overall 3.5% (girls)</p> <p><b>New poverty targeting mechanism designed and implemented in districts</b> Baseline: zero (2017) Target: nation-wide (2021)</p> <p><b>Number of people provided with water supply services under the Sustainable Rural Water Supply and Sanitation Project</b> Baseline: zero (2017) Target: 123,000 (2021)</p>	<p><b>Increased coverage of pre-school education</b> (age cohort 3-5 years) Baseline: 22% (2017) Target: 25% (2021)</p> <p><b>Enhanced teacher quality/performance measured by classroom practice</b> (per cent increase in key domains<sup>10</sup>) Baseline: 3% (2017) Target: 5% (2021)</p> <p><b>Governance indicator: share of the wage bill as per cent to total spending in basic education</b> Baseline: 87%(2017) Target: 84% (2021)</p> <p><b>Share of districts with operational targeting mechanism and integration with the Registry of Social Protection</b> (in percent) Baseline: zero (2017) Midpoint: 80 % (2019) Target: 100 % (2021)</p>	<p><u>Current program:</u> IPF: - Sector Support for Education Reform Project (FY14) ASA: - READ-2 Strengthening Student Assessment for Improved Learning (FY17)</p> <p><u>Current program:</u> IPF: - Second Health and Social Protection (SWAp) (FY13) - Kyrgyz Health Results Based Financing (FY13) - Sustainable Rural Water Supply and Sanitation Development Project (FY17) ASA: - Sustaining and Extending Health Gains in Kyrgyz Republic (FY17) - Towards a more sustainable and effective UHC in Kyrgyz Republic (FY16)</p>

<sup>10</sup> Areas where teacher quality is measured.

	<p><b>Number of public service programs relying on the new targeting mechanism</b>  Baseline: zero (2017)  Midpoint: zero (2019)  Target: 3 (2021)</p> <p><b>Institutional support plan for the Department of Drinking Water Supply and Waste Water Disposal is approved:</b>  Baseline: no plan (2017)  Target: plan approved (2020)</p>	<p><u>New program (indicative):</u>  IPF:  <ul style="list-style-type: none"> <li>- Health PforR (FY19)</li> <li>- CASA-1000 Community Support project (FY18)</li> </ul> Trust Funds:  <ul style="list-style-type: none"> <li>- Youth and Livelihood Project (FY18)</li> </ul> ASA:  <ul style="list-style-type: none"> <li>- Study on improving health services delivery, quality and operation of Insurance Fund</li> </ul> IFC Advisory:  <ul style="list-style-type: none"> <li>- Potential PPPs in the education sector</li> <li>- Exploring new PPPs in health</li> </ul> </p>
<b>CPF Objective 8: Support regional development</b>		
<p><b>Intervention Logic:</b> The unbalanced spatial pattern of growth, with the south of the country largely lagging the rest, suggests high returns will accrue to an integrated approach, particularly in the areas of growth and employment. Infrastructure services, investments in small towns and in the rural economy will be the key elements of the strategy. Integrated development will have to rest on backbone towns with the necessary urban services and transport infrastructure, as well as exploiting trading opportunities. In the rural economy, land degradation has to be addressed and irrigation practices improved, with a sharper focus on modernization of irrigation management practices and systems. WBG interventions will focus on two areas: the northern oblast of Issyk-Kul with its rich potential in agriculture and tourism, and the poorer southern areas of Osh, Jalalabad, and Batken with their rich potential in cross-border trade within the economic space of the Ferghana Valley, relying upon agriculture and rising productivity as key connectivity investments occur. Interventions will support connectivity and spatial development, aviation reforms, regional centres for urban infrastructure as well as the agriculture and livestock sectors. IFC will continue to assess opportunities to support, through both investment and advisory services, food processing and food retail companies, and the development of sustainable supply chains, where opportunities may arise for the provision of supplier finance and advisory services in the areas of food standards and resource use efficiency.</p> <p><b>Challenges:</b> Tighter regional integration through investments in roads, safety standards in aviation, and community-based tourism. Increases in crop yields and dairy output. Piloting regional centres to support urban infrastructure.</p>		
<b>CPF Objective Indicators</b>	<b>Supplementary Progress Indicators</b>	<b>WBG Program</b>
		<u>Current program:</u>

<p><b>Average percentage increase in crop yields in WUAs</b> (with completed I&amp;D rehabilitation and advisory services) Baseline: zero (2017) Target: 10% (2021)</p>	<p><b>Number of regional centers with improved urban infrastructure</b> Baseline: zero (2017) Target: 4 (2020)</p> <p><b>Area provided with improved irrigation and drainage services</b> (in hectares) Baseline: zero (2017) Target: 60,000 (2021)</p> <p><b>Number of successfully rehabilitated on-farm irrigation systems</b> Baseline: zero (2017) Target: 30 (2021)</p>	<p>IPF:</p> <ul style="list-style-type: none"> <li>- National Water Resource Management Project (FY14)</li> <li>- Integrated Dairy Productivity Improvement Project (FY17)</li> </ul> <p>IFC Advisory:</p> <ul style="list-style-type: none"> <li>- Dairy Development Project</li> </ul> <p><u>New program (tentative):</u></p> <p>IPF:</p> <ul style="list-style-type: none"> <li>- AF for National Water Resource Management Project (FY19)</li> <li>- Local Integrated Development (Issyk-Kul, FY20; Osh/JA/Batken – IDA19)</li> </ul> <p>IFC Investment:</p> <ul style="list-style-type: none"> <li>- Exploring investments in agribusiness, and in financial intermediaries focusing on agriculture and agribusiness</li> </ul>
<p><b>CPF Objective 9: Enhance resilience to climate change and disaster risks</b></p>		
<p><b>Intervention logic:</b> The country is highly vulnerable to the effects of climate change and to natural disasters; the critical power sector is vulnerable to variations in hydrology and seismic risks are high. High priority actions lie in addressing changes in the pattern and seasonality of water flows, precipitation and agriculture, the frequency of extreme weather-related events; factors that are compounded by the exposure to natural hazards of a highly seismic zone, prone to mudslides and flooding. Variations in hydrology need to be considered in the design of renewable energy projects, including improvement of the energy mix with solar intermittent energy and regional energy trade opportunities. The monitoring of water resources (including glaciers) is necessary and requires regional cooperation in water basin management. Early warning systems for disaster risk, particularly for mountain hazards are inadequate at present. A green growth path based on renewable energy needs to be fully developed. The current WBG portfolio provides strong support to environment and climate adaptation and to strengthening management of disaster risks. WBG interventions over the CPF period will support implementation of the Paris COP-21 accord and identify a private sector led low-carbon growth path, particularly in energy, agriculture and water. They will also strengthen disaster risk management policies and institutions and build capacity to absorb economic shocks. In the effort to promote energy efficiency across sectors, IFC will explore the possibility of real sector investments, where energy efficiency can be increased, provide as needed targeted credit lines to banks, and/or carry out advisory work, as needed, to create markets and improve market access for energy efficient products and promote more efficient and green processes in the industrial sector.</p>		

<b>Challenges:</b> Improvements in energy efficiency. Raise the proportion of population covered by disaster risk preparedness mechanisms.		
<b>CPF Objective Indicators</b>	<b>Supplementary Progress Indicators</b>	<b>WBG Program</b>
<b>Percentage of population covered by improved emergency preparedness and response systems in the country</b> Baseline: 42% (2017) Target: 100% (2021)	<b>Increased user satisfaction with hydrometeorological services<sup>11</sup></b> Baseline: 3.81 (2017) Target: 4.3 (2021)  <b>Intervention and investment plan for the implementation of State Program on Safe Schools and Preschools of the Kyrgyz Republic for the period of 2015 – 2024 is defined</b> Baseline: no plan (2017) Target: adopted (2021)	<u>Current program:</u> IPF: <ul style="list-style-type: none"> <li>- Enhancing Resilience in Kyrgyzstan (FY18)</li> <li>- AF Central Asia Hydrometeorology Project (FY18)</li> </ul> ASA: <ul style="list-style-type: none"> <li>- Note on contingent financing approaches in the event of a natural disaster.</li> </ul>

<sup>11</sup> This indicator, on a scale of 1-5 (5 = complete satisfaction), measures user satisfaction comprising user perceptions of timeliness, completeness, level of detail, understandability, visualization, relevance and quality history of the information services provided by KyrgyzHydromet. Surveyed users include key sectors, represented by Government agencies (Ministries of Agriculture, Water Resources, Energy, etc.), as well as the public and commercial entities. It will be measured through user satisfaction surveys.

**Kyrgyz Republic FY14-17 Country Partnership Strategy (CPS)  
Completion and Learning Review (CLR)**

CPS: 7/25/2013 (Report No. 78500-KG)

CPS Performance and Learning Review: 3/22/2016 (Report No. 103768)

Period Covered by CLR: FY14-17

**I. THE CPS PROGRAM**

**A. Country Context of the FY14-17 CPS**

1. **Landlocked and mountainous, the Kyrgyz Republic was one of the two poorest countries in the Europe and Central Asia (ECA) region at the time the CPS was prepared.** GNI per capita was approximately US\$880, with about 37% of the country's population of 5.5 million people living on less than US\$2.50 per day. This poverty level represented a reversal of a long-term trend of steady economic growth (averaging about 4.5% per annum since 2000) and declining poverty in the Kyrgyz Republic, reflecting the aftermath of the socio-political turmoil of 2010 (see below). Kyrgyz Republic's natural resource base -- including arable land (7%), pastures (48%), forests, water resources and minerals -- was rich, but underexploited and resource management remained a continuing concern. The country's medium- and long-term growth was expected to derive largely from trade, employment and investment opportunities associated with the country's proximity to the large Chinese, Russian and South Asian markets, as well as its rapidly-growing, middle-income Central Asian neighbors.
2. **Realization of Kyrgyz Republic's economic potential was highly dependent on increased labor productivity and private sector investment -- both of which had long been severely constrained by weak governance and periods of social unrest.** Escalating tensions among ethnic groups related to resource sharing/management, poor government services and limited trust in government, culminated in a socio-political upheaval in mid-2010 -- leading to significant loss of life and the destruction of public and private infrastructure and personal property. Although peace was restored, and a new constitution promulgated in 2011, private sector confidence and investment remained constrained by political uncertainties, high government turnover, continuing governance weaknesses and economic pressures. At the same time, citizens enjoy considerable political freedom and opportunities to voice their views, which, together with an active civic society has led to a high degree of citizen engagement throughout the CPS period.

**B. CPS Objectives and Strategic Alignment with Government Priorities**

**Against this backdrop, and in close alignment with the Kyrgyz National Development Strategy 2013-2017 (NSDS), the FY14-17 CPS had the overarching strategic goal of supporting significant improvements in governance -- including the aim of increasing citizens' voice and government accountability as a central factor in promoting shared prosperity and reducing extreme poverty.** This governance-oriented approach focused on the different dimensions of the relationship between the state and the citizen, organized into three areas of engagement as follows:

- Raising standards in public administration and public services;
- Improving the business and investment climate;
- Strengthening the stewardship of natural resources and physical infrastructure.

**Three cross-cutting themes were also emphasized in the CPS design – namely, gender, climate change and social accountability.** These themes were integral to the design and implementation of many relevant projects over the CPS period.

**The preceding CPS objectives were fully supportive of corporate and ECA regional priorities – in particular, the twin goals of promoting shared prosperity and poverty reduction.** Prior to development of the CPS, the Government and the Bank undertook analyses that indicated that poor public administration, lack of transparency and weak public services were a binding constraint to achieving shared prosperity and poverty reduction. Indeed, governance issues, by contributing significantly to the 2010 tensions and instability, had a sharply negative impact on economic growth and caused a temporary reversal in the long-term trend towards poverty reduction. In consequence, there was wide recognition among Kyrgyz stakeholders and development partners that the country's future stability, and, hence, achievement of the twin goals, was highly dependent on the population seeing tangible improvements in governance. This view was validated by the Bank Group's 2012 Conflict Filter Study and reflected, inter alia, in the Government's NSDS 2013-17, which adopted improved governance and reduced corruption as unifying themes. It also constituted the rationale for the FY14-17 CPS, whose strategic goal was to help reduce extreme poverty and promote shared prosperity through support for improved governance in key areas identified by Bank ASA.

## **II. RESULTS MATRIX AND CPS DEVELOPMENT OUTCOMES**

Assessment of the CPS development outcomes is based on the results matrix from the CPS Performance and Learning Review, which reflected a small number of changes as compared to the original CPS results matrix. In the PLR several indicators were added to give greater precision to the measurement of results. The overall quality of the results matrix was improved as a result.

At mid-point of the CPS period, the IDA lending program was substantially unchanged from the original CPS. IFC's work program delivery plans in the Kyrgyz Republic during the CPS period have been constrained by : (i) continued dominant role of the public sector in the economy and unrealized privatization plans; (ii) ongoing concerns related to corporate governance and corruption; (iii) reduced demand for FX denominated financing as result of de-dollarization and financial crisis, while IFC could not offer competitive local currency due to prohibitive hedging costs; and (iv) significantly increased subsidized financing available in the market.

The CPS development outcome is rated Moderately Satisfactory (MS) overall. The CPS Program was structured around three areas of engagement and seven objectives, each to be measured via specific results indicators, laid out in the results matrix. Of the seven objectives specified in the matrix, six were Achieved (A), Mostly Achieved (MA) or Partially Achieved (PA) and only one was Not Achieved (NA). The score of NA for Objective 1 was due largely to the abandonment of a planned Governance DPO and related surveys/studies, which meant that some results could not be verified, though demonstrable improvements were achieved through Bank-supported interventions. Difficulties encountered in moving ahead with the Judicial Reform Project preparation also impeded attainment of planned results with respect to the justice system. Areas of particularly strong performance include the social sectors, energy and transport, where achievements exceeded targeted outcomes in nearly all areas and where the targets themselves were relevant and ambitious.

**Table 1. Summary of CPS Areas of Engagement and Objectives Ratings**

<b>Engagement Area I – Public Administration and Public Service Delivery</b>	
Objective 1. Establish a robust system of public administration and reform the judiciary	<b>NA</b>
Objective 2. Expanding access to, and increasing the efficiency and quality of education, health and other public services	<b>A</b>
<b>Engagement Area II – Business Environment and Investment Climate</b>	
Objective 3. Promoting financial and private sector development	<b>MA</b>
Objective 4. Increasing the efficiency and competitiveness of agriculture	<b>MA</b>
<b>Engagement Area III – Natural Resources and Physical Infrastructure</b>	
Objective 5. Ensuring energy security and developing export potential	<b>MA</b>
Objective 6. Expanding domestic, regional and international development transport potential	<b>A</b>
Objective 7. Improving the management of agriculture, forestry, mineral, pastureland and water resources, including extension and other services for sustainable development	<b>PA</b>

Objective Ratings: A – Achieved; MA – Mostly Achieved; PA – Partially Achieved; NA – Not Achieved.

#### **Engagement Area I: Public Administration and Public Service Delivery**

**The first area of engagement of the CPS was grounded in the government's multi-sectoral Governance and Anti-corruption Action Plan adopted in 2012 and included a mix of advisory, knowledge, and lending activities intended to support the achievement of two key country development outcomes:** (i) creation of a robust public administration (including strengthened, more transparent public finance management) and a reformed judiciary; and (ii) expansion of access to, and improvement in the efficiency and quality of education, health, and other public services. Each of these two outcome areas had a number of results indicators associated with it. Specific activities and achievements pertaining to these results indicators are described in some detail below as they underlie the ratings accorded to each outcome in this CLR.

#### **Objective 1: Establish a robust system of public administration and reform the judiciary – Rating: Not Achieved (NA)**

*CPS efforts to strengthen the Kyrgyz system of public administration were supported by several complementary interventions* including a DPO series with a strong governance focus and four ongoing operations, namely: Governance Technical Assistance (FY04), Public Finance Management Capacity Building, Capacity Building for Economic Management (FY09), and an Institutional Development Fund (IDF) grant for Capacity Building for Public Sector Internal Audit. Key ASA products complemented lending and included, *inter alia*, a set of Programmatic Public Expenditure Reviews and Poverty Studies and trust fund-supported capacity building for financial management and procurement. Many of these activities were undertaken in partnership with other external development partners, including the Swiss, the European Union, USAID and others. Strengthening of the judiciary was to have been supported through ASA on Justice Reform (FY14) implemented with support from the Swiss Government, and a follow-on IDA Judicial Reform Project (IPF). The latter project was, however, ultimately dropped from the CPS program due to commitment issues and delays in preparation.

*While some progress was made towards achievement of the objective during the CPS period (albeit not always verified), shortcomings were also apparent.* Adoption of an Anti-Corruption program and regular monitoring and evaluation of its implementation has helped increase transparency and accountability across the public sector, especially in the utilization of public funds. A new Budget Code



was enacted, which introduced several elements of effective budgeting. As highlighted in the PEFA assessments, there were significant improvements in budget management (including budget credibility and predictability, budget control, external scrutiny and audit) which resulted in an improvement in the Kyrgyz Republic's score on the Open Budget Survey from 20 to 54 over the CPS period, versus a global average score of 45. Improvements in public debt management and control were also achieved, including monthly reporting of both domestic and external debt stocks and flows. Introduction of modern financial and compliance audit methods supported by an audit management software resulted in strengthened capacity of the Chamber of Accounts. The public sector internal audit coverage was expected, and quality control system rolled out, leading to gradual improvement of the performance of the public sector internal controls. Similarly, public procurement was substantially strengthened via a new Public Procurement Law in line with international standards and the reorganization of the Public Procurement Department under the MOF. Another major achievement was adoption in 2014 of a Public Sector Reform Roadmap with a time-bound implementation plan, together with new Public Services Standards in accordance with international good practice. Progress in judicial reform was very slow, despite adoption of a Judicial Sector Reform Plan in 2014 (with ASA support from IDA in partnership with donors) and establishment of a Judicial Reform Council to oversee its implementation.

***Achievements with respect to the specific results indicators included in the CPS for this Outcome were not all verifiable, although actions taken over the CPS period have strengthened public sector performance and transparency.*** A major improvement was achieved in reducing favoritism in Government decisions, supported through the Bank's Governance DPOs, support for more transparent procurement and TA on conflict of interest. The Kyrgyz Republic's ranking on the World Economic Forum's index of 138 countries rose to 81<sup>st</sup> by 2017 versus a baseline rank of 136<sup>th</sup> in 2012 and a target of 120<sup>th</sup> for 2017 included in the PLR results matrix. However, despite likely improvements based on an assessment of actions taken under the Anti-Corruption Plan, PEFA findings etc., 2017 data are not yet available that could definitively assess the country's performance on the Graft Index. Similarly, in the absence of a recent PEFA assessment, it is not clear whether the PEFA P1-19 score rose from B to B+ over the CPS period, although the procurement improvements described above and the adoption of e-procurement for a large proportion of Government purchases are likely to have raised the score as targeted. Finally, the indicator for access to justice was not met during the CPS period, with the World Justice Rule of Law access indicator showing a small decline (rather than improvement) over the 2014-2017 period. Although progress was made during the CPS period on developing a strategy and action plan for the judiciary, a proposed Judicial Reform project was delayed for reasons of commitment and inexperience with external projects, and ultimately dropped.

**Objective 2: Expanding access to, and increasing the efficiency and quality of education, health and other public services – Rating: Achieved (A)**

**Improving the efficiency, governance, and quality of essential public services was supported by operations in education, health and social protection, and rural water supply and sanitation.** This outcome was perhaps most directly related to the corporate goal of reducing extreme poverty by focusing on the development of the human capital of the rural population. In the education, health and social protection areas, IDA projects were complemented by significant resources from development partners with important impacts on the results achieved. In each of these instances, the WBG played key roles in supporting Government efforts to coordinate external support and direct resources towards the specified CPS targets. For example, a Bank-led health sector SWAp was instrumental in bringing together resources from a variety of donors and NGOs and helped both deliver improved services as well as strengthen the operations and M&E capacity of the Ministry of Health and local authorities. Similarly, the FY14 Water Supply and Sanitation operation based on strong cooperation between the Bank and ADB achieved impressive results, inter alia, in improving access to safe water, reduction in water-borne diseases, strong community management of local water sources and development of a financially and environmentally sustainable sector strategy. The effort to launch pre-school education

was also highly successful, with 70% of children enrolled by the end of the CPS period, versus a baseline of 0. The results tracked by the study using Early Development Instrument showed significant gains in readiness for learning by 30%, especially for children from low income families without any preschool education. Teacher training focused on new pedagogy for customized and active teaching and classroom-based assessment; significant gains were achieved in the domains of emotional support, classroom management and instructional leadership. These, and other concerted efforts on improving school management, contributed to improved student learning results, e.g., a 10 % increase in mean tests score in math and reading at grade.

**The specific results indicators included for this outcome were all achieved or surpassed.** The results are especially impressive given that the CPS targets themselves were ambitious in several instances -- e.g. with respect to pre-school education and reduction of water-borne diseases. In brief, the results achieved were the following:

- A 50% increase in the number of villages with improved social and economic infrastructure from 1000 to 1500. This target was surpassed significantly (actual result 1698 villages) as documented by the ICR for the Second Bank-financed Village Improvement Project;
- School enrollment of 70% of pre-school-aged children versus a 2010 baseline of 0 (MOES/PCU administrative data). Program expansion was supported through the Education Sector SWAp, which provided technical assistance, teacher training, learning materials and other inputs. The dramatically expanded pre-school coverage represents a significant boost to education in Kyrgyzstan over a relatively short period of time;
- Reduced mortality rate from cardiovascular disease from 310 to 287 (actual result 263.8) and reduced mortality from TB to below 8 from a baseline value of 8.7 (actual result 6.1). Data on both indicators were derived from the MOH statistics system and reflect the interventions of the Den Sooluk health reform program, supported by the Health Sector SWAp financed jointly by the Bank and other external partners;
- Increase in share of spending on poverty-targeted programs from 18.5% to 30%. Based on analysis of budget information this target was slightly exceeded, with poverty-targeted spending rising to 32.3%;
- The target of achieving a 60% reduction in water borne diseases in areas covered by the IDA Regional Water Supply and Sanitation Project(s) was surpassed. The actual result was a 62.5% reduction based on statistics maintained by the State Sanitary and Epidemiology Department, Ministry of Health;
- Finally, the target of reducing average emergency response times in rural areas from 3 hours to 1 hour was also met (Ministry of Emergency Situations data). The reduction in emergency response times was supported by the establishment of a unified information and communication system for emergency warning and dispatch services supported through the Bank's GFDRR.

**Under Objective 2 IFC looked at potential investments in private health and education.** While no suitable investments were identified, a PPP in dialysis was successfully contracted in 2017 with IFC PPP transaction advisory, constituting the first ever PPP in the country, improving access to high quality dialysis services and a value of financing facilitated of EUR10mn

## **Engagement Area II: Business Environment and Investment Climate**

**The second CPS engagement area aimed to support the Government's Private Sector Development Strategy and Action Plan which was adopted in 2014.** The Strategy and Plan were developed with support from the WBG and other external partners and laid out reforms needed to encourage competitiveness and private investment, with the aim of re-animating growth and creating quality jobs. The IFC and the World Bank coordinated closely in the design and implementation of both main outcome areas, namely: (i) promotion of financial sector development and encouraging private business growth; and (ii) increasing the efficiency and competitiveness of agriculture. While both outcome areas are associated with poverty reduction and shared prosperity – especially given the focus on MSMEs overall – improvements in agriculture were intended to directly benefit rural employment and incomes, given the higher levels of rural poverty compared with urban areas.

### **Objective 3: Promoting financial and private sector development – Rating: Mostly Achieved (MA)**

**Support for financial and private sector development aimed at promoting diversification and competitiveness through a coordinated set of IDA and IFC interventions (both advisory services and investments).** Important progress was achieved with respect to the financial sector, including: (i) significant increases in lending to MSMEs via micro-finance institutions supported by IFC (US\$249 million versus US\$200 million targeted); (ii) modernization of the collateral registry through an on-line registration system and a rise in registrations to 66,199 versus a CPS target of 62,000; (iii) an expansion in credit bureau coverage to slightly over the target of 30% of the adult population; and (iv) strengthening of the deposit protection system through new legislation and an increase in covered deposits to 12.6% by end 2016. While, it is fully expected that the end-CPS target of 13% coverage was met, this will be known with certainty only by April 2018 when the Deposit Protection Agency releases its 2017 statistics.

**With regard to private sector development the CPS support was successful in reducing costs through streamlining key processes such as tax reporting and business inspections.** CPS support helped reduce the tax reporting burden for businesses through a variety of means. Inter alia, progress was made in simplifying tax forms, decreasing filing frequency and supporting outreach efforts to educate/encourage businesses in utilizing the most cost-effective tax reporting means. According to the 2016 Tax Compliance Cost survey data the CPS target of a 10% cost reduction has been surpassed significantly – with compliance costs having dropped to US\$367 or 23.6 days versus the baseline of US\$655 or 40.4 days for 2012. Significant progress was also made with respect to streamlining non-tax inspections. A 2017 study conducted under the Kyrgyz Investment Climate project found that the implementation of risk-based inspections resulted in number of inspections per business reduced from 2.65 to 1.45, average duration of an inspection reduced from 7 days to 0.25, average cost per inspection reduced from 9,800 to 131 KGS. As a result, annual direct compliance cost savings for businesses is estimated to at US\$5.3mn.

### **Objective 4: Increasing the efficiency and competitiveness of agriculture – Rating: Mostly Achieved (MA)**

**Results indicators for this Outcome area were drawn principally from the IDA-financed Agricultural Productivity Assistance Project (APAP).** The two results indicators identified for this outcome included realization of a 35% increase in gross agricultural output and a 25% increase in crop yields output in farms targeted under the project. While these improvements are large, and were both achieved, the results should not be overstated. The number of farms covered under the project was small, so the impact, when viewed through a nation-wide lens, was relatively limited. Therefore, the rating is mostly achieved.

### **Engagement Area III: Natural Resources and Physical Infrastructure**

**The third engagement area included in the CPS sought to support the Kyrgyz Republic’s ongoing commitments to international conventions or treaties concerning sustainable development and environmental protection.** The aim was to support Government efforts to promote a “green” economy approach to development such as improved, more efficient management of natural resources such as forests, pastureland, and water and of physical assets such as energy and transport infrastructure, while at the same time taking into account the need to mitigate and adapt to climate change. While these broad goals were supported during the CPS period, a looming energy crisis and the prospect of earning significant resources through hydropower exports, caused the overall focus to shift towards reforming and strengthening the energy sector. The shift in emphasis was described in the PLR and reflected in the lending program (para 23). Activities undertaken with respect to natural resources and infrastructure and the results achieved are discussed further below.

#### **Objective 5: Ensuring energy security and developing export potential– Rating: Mostly Achieved (MA)**

**The energy sector was a key component of the Governance and Competitiveness DPO series and the focus of the Energy Sector DPO, 2 energy IPFs, and a number of grant-financed TA and analytic products.** These activities were closely coordinated with KfW, which was also active in supporting the largest Kyrgyz electricity distribution company, Severelectro. A WBG study on small and medium HPP development was elaborated, and IFC has been working towards PPP transactions in the sector. Given the focus of these CPS products on the financial sustainability of the sector, the matrix focused on three results – two directly focused on increased cash collection by the SOEs responsible for power distribution and one aimed at measuring reductions in electricity losses. With regards to cash collections, targets were surpassed during the CPS period. The increase in distribution company cash collections in relation to total power output by JSC “EPP” rose to 0.93 som by 2015 as against a target of 0.63 som (from a baseline for 2013 of 0.59 som). Similarly, cash collections from sales of goods, services and works by Bishkekteploset in relation to thermal outputs from Bishkek CHP collectors reached 697.3 som versus a baseline of 460 som and a target of 598 som. Reductions in electricity losses from 22% to 15% was to have been supported through investments included in the IDA ESARIP project, which suffered a long effectiveness delay in parliament. As a result, the target has only been partially achieved to date – with the reduction in electricity losses estimated at 18% in early 2017. However, given the stronger-than-anticipated progress on cash collections and the fact that the loss reduction is on track to be achieved within a few months, Objective 5 is assessed as Mostly Achieved (MA).

#### **Objective 6: Expanding domestic, regional and international development transport potential – Rating: Achieved (A)**

**This outcome area and its associated results indicators were drawn from two IDA-supported roads and infrastructure projects that were ongoing at the time of CPS preparation and a regional road links project, whose Kyrgyz portion was approved in FY14.** These projects were closely coordinated with parallel financing from a number of donors (EBRD, EU, China EximBank) to improve transport connectivity of Batken and Osh regions with the other Kyrgyz regions and neighboring countries through (e.g., Tajikistan and China). Three results indicators -- related respectively to travel time, travel costs and border post improvements – were selected to measure the impact of the CPS program. Of these three, the first two were intended to be achieved within the time frame of the CPS, while the third was intended to have been achieved by 2019. Indicators related to travel time and cost along project road sections in Batken Oblast were both surpassed based on Government and project data. In terms of travel time, there has been a 28-minute reduction – over three times the 8-minute reduction targeted in the results matrix. Similarly, travel costs along the project

road section declined from US\$0.3 to US\$0.25, exceeding the CPS target of US\$0.27. Progress towards the target on border post improvement has been achieved (on the Kyrgyz side) through a complementary ADB-financed project on “regional customs modernization and infrastructure development”. The implementation of the Unified Automated Information System was supported by the ADB project which allows centralized processing of importers and exporters and automatic calculation of duties and taxes and reduces opportunities for unofficial trade. According to the latest 2013 BEEPS, there are significant improvements observed in customs administration in terms of an almost twofold reduction in unofficial payments and improvement in customs and trade, which is no longer seen as an obstacle to doing business.

**Objective 7: Improving the management of agriculture, forestry, mineral, pastureland and water resources, including extension and other services for sustainable development – Rating: Partially Achieved (PA).**

**Results indicators for Outcome area 7 related to the management of water resources were drawn from the Second On-Farm Irrigation Project (FY09) and Water Management Improvement Project (FY06).** Two results indicators identified for the water resources management included: (i) coverage of 80% of rehabilitated WUA systems with water supply of 80% of water users’ demand and (ii) average increase in crop productivity in rehabilitated schemes. With regards to water distribution to farmers, target was mostly achieved reaching 100 WUA systems by 2017 versus a baseline of 10 and a target of 104 systems. Four WUAs do not function or function improperly because of the weak management. As for the second results indicator - the average increase in crop yield - reached 8% versus a target of 10%. Factors that caused lower crop yields are not related to providing water users with irrigation water but were related to adverse weather conditions in 2014-2016.

### **III. WORLD BANK PERFORMANCE**

#### **The CPS Program and its Implementation**

**The IDA program under the CPS was selective and strategic and included a balance of development policy lending, investment operations and ASA across all three engagement areas.** IDA support for each of the CPS’ three areas of engagement was provided through the existing portfolio (about US\$267 million at end 2012), by new lending amounting to about US\$328.5 million (supplemented by trust fund financing), and by intensified analytical and advisory activities to develop practical ways to address identified challenges. The program implemented over the CPS period was, in fact, balanced in its approach, using DPOs to convene support for legal, regulatory and institutional reforms at the center, while supporting demand-side, local and community governance through investment lending operations at the local and grassroots levels.

**Given close alignment of the CPS with the NSDS and strong stakeholder support for its aims, relatively few changes were made to the CPS program as development priorities remained stable despite frequent Government turnover.** As shown in Table 2 below, there was a modest increase (in USD terms) in the size of the lending program over the CPS period –from a planned lending level of US\$307 million to an actual lending total of US\$328.5 million for the four-year CPS period. Two sets of Governance and Competitiveness DPOs had been planned for the CPS period (each comprising two operations). The first set of DPOs was delivered as planned in FY14. It was followed in FY15 by a free-standing energy-focused DPO, developed and implemented on an emergency basis at Government’s request, to help address a looming energy crisis in the country. The first operation of the second set of Governance and Competitiveness DPOs was also delivered as scheduled but the second operation in the set (planned for FY17) was canceled due to political difficulties encountered by the government in undertaking key reforms in energy tariffs, especially in the run-up to presidential

elections in 2017. On the investment lending side, perhaps the most significant change in the CPS' lending program was a decision not to proceed with a Judicial Reform Project, which, while supported by the central government, proved not possible to prepare as commitment within the judiciary was weak, partly related to their inexperience with externally-funded projects. Finally, two relatively small rural development projects planned in the CPS were replaced by a single, larger Sustainable Rural Water Supply and Sanitation Development Project (FY17) with the intention of continuing the significant progress achieved under earlier phases.

**Citizen Engagement (CE).** The portfolio fully adapted to the Strategic Framework for Mainstreaming Citizen Engagement in WBG Operations during the CPF period. By FY15 all projects going to the Board were compliant for CE, including both beneficiary feedback activities and at least one beneficiary feedback indicator. More importantly, the quality of citizen engagement, measured through the ECA citizen engagement quality index has improved from 2.0 in FY14 to 2.3 in FY17, well above the ECA average. The PLR included a Citizen Engagement Country roadmap, the first in the ECA region, and this led to efforts to develop new substantive platforms for citizen engagement in priority sectors, namely a transformational platform for CE in support of the education reform financed through a small grant (US\$2.73 million) funded by the JSDF (P159699), a portfolio review of all grievance redress mechanisms, and the reorganization of the beneficiary feedback system in ARIS, a key implementing agency of the country portfolio. The level of engagement of citizen engagement commitments made in IPFs are also reviewed and tracked; and TA and capacity building was provided to PIUs. The Citizen Engagement Country Roadmap is being assessed and updated in the context of the upcoming CPF (see Annex 2).

**Gender Mainstreaming.** The portfolio considered the issues of gender through both operational and analytical activity. Gender sensitive approaches which enabled women to take up planning, and implementation roles were included in projects focused on rural development. In VIP3 for instance, a project level gender action plan was introduced to improve lagging gender results, and PLMIP ensures women's engagement in Pasture User Unions, as well as in the Community Drinking Water User Unions (CDWUUs) which support improvements in nationwide water and sanitation. These have improved project results as well as those of coordinating donors. Targets for women's participation and as target beneficiaries have improved. The Gender Norms in Flux study was examined bride kidnapping and local civic participation by women which are deeply shaped by the relative status of women in society, how people perceive women's roles, the implications of out-migration which together contribute to knowledge on gender dynamics on the country.

**IDA lending was carefully coordinated with technical assistance financed on a co- or parallel-financing basis with other development partners.** The Bank Group also leveraged IDA resources with resources available through global trust funds and programs such as the Global Agriculture and Food Security Program, the Results-Based Financing Facility and the Global Program for Social Accountability (GPSA).

**Trust Funds covered a wide area of CPS activities.** In governance and public sector management, trust funds were devoted to building transparency in local government accounts and, more broadly, effective local governance, public sector audit reforms, procurement capacity building and reducing regulatory uncertainty, and strengthening the Chamber of Accounts. The design of open data was initiated. In addition, financial sector inclusion through innovative policies was covered by a trust fund.

**In human development, trust funds financed vitally important interventions in early education (expanding coverage), school readiness programs, integrating children with special needs, and strengthening student assessments, and in supporting the health swap operations as well as developing voice in village health communities.** The reform of social safety nets and fortifying social

cohesion was supported by various trust funds.

**Energy-related trust funds supported regional initiatives on knowledge exchange and capacity development as well as the design of reform policies, especially on tariff-setting.** Water resource management as well as forestry ecosystem development and raising agricultural productivity were supported through a number of trust funds.

Energy efficiency in public buildings and strengthening disaster risk management were climate-change areas that benefitted from trust fund activities.

**Over the CPS period, trust funds have been effective in significantly expanding the envelope of financing and reform leverage not only with respect to volume and concessionally but also in reaching areas of intervention and policy research not funded by IDA.** It is important to strategically integrate the trust fund interventions into the programming of CPFs to ensure consistency of purpose and leverage.

Reflecting the authorities' reluctance to borrow for TA activities under projects, available Bank Budget and grant funds from the Bank and, especially, Trust Fund and development partner sources were increasingly channeled to this purpose over the CPS period. In all about 25 TA activities were undertaken over the CPS period (Annex 4), all closely related to ongoing or planned lending activities.

**Additionally, IDA undertook “core” Kyrgyz-focused ESW in key forward-looking strategic areas, including programmatic public expenditure reviews, poverty analyses, and studies on economic diversification and growth dynamics.** These studies were widely disseminated with stakeholders and informed the national policy dialogue. A table with planned and actual ASA activities is provided in Annex 4.

**Table 2: Actual IDA Lending FY14-17**

<b>FY14</b>		
<b>CPS Area</b>		<b>IDA</b>
1	Programmatic Development Policy Operation 1. Approved (07/25/13)	25
1	Programmatic Development Policy Operation 2. Approved (06/10/14)	25
3	Central Asia Road Links – Kyrgyz Republic. Approved (04/22/2014)	45
3	CASA – 1000. Approved (03/27/2014)	45
<b>Subtotal:</b>		<b>140</b>
<b>FY15</b>		
3	Pasture and Livestock Management Improvement Project. Approved (07/15/2014)	15
3	Electricity Supply Accountability and Reliability Improvement. Approved (07/15/2014)	25
1	Energy Sector DPO. Approved (01/29/2015)	24
3	Third Village Investment Project. Approved (03/27/2015)	12
<b>Subtotal:</b>		<b>76</b>
<b>FY16</b>		
3	Integrated Forest Ecosystem Management Project. Approved (11/24/2015)	12
3	Urban Development Project. Approved (03/18/2016)	12
<b>Subtotal:</b>		<b>24</b>

<b>FY17</b>		
1	Governance and Competitiveness Programmatic DPO. Approved (07/07/2016)	24
3	Sustainable Rural Water Supply and Sanitation Development Project. Approved (09/30/2016)	23.5
2	Integrated Dairy Productivity Improvement Project. Approved (11/29/2016)	5
3	AF Sustainable Rural Water Supply and Sanitation Development Project. Approved (06/22/2017)	36
<b>Subtotal:</b>		<b>88.5</b>
<b>Total FY14-17</b>		<b>328.5</b>

**The number of projects in the portfolio remained relatively stable throughout the CPS period and portfolio performance was largely satisfactory overall.** As Table 3 shows, the number of projects under implementation remained relatively steady during CPS implementation as did the relative balance between investment lending, budget support and grants. The Bank team was proactive in addressing problem projects, with few projects remaining in “at risk” status for more than a few months. The Bank country team also partnered closely with the Ministry of Finance and donor partners to identify and addressing generic bottlenecks affecting project implementation. Inter alia, these included: (i) increasing the focus on ensuring implementing agency commitment through better integration of project objectives, activities and PIUs with existing line ministry priorities and processes; (ii) paying more careful attention to the appropriate composition (level and agency) of delegations assigned to project negotiations; (iii) deepened dialogue with central agencies, line ministries and the legislative branch to speed up project effectiveness; and (iv) significant support for improved procurement processes and practices.

**Table 3: Portfolio Developments**

	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>
<b># Projects</b>	<b>15</b>	<b>13</b>	<b>14</b>	<b>16</b>
<i>of which, budget support</i>	3	3	1	2
<i>of which TFs&gt;US\$5m</i>	4	3	5	5
<b>Net Commitment amt (US\$m)</b>	<b>324.6</b>	<b>236.7</b>	<b>221.95</b>	<b>280.1</b>
<i>of which, budget support</i>	66.5	65.5	16.5	40.5
<i>of which IPF/IDA</i>	220.9	132.0	131.9	165.9
<i>of which TFs&gt;US\$5m</i>	37.1	39.2	73.6	73.7
<b>Projects at Risk</b>	<b>3</b>	<b>0</b>	<b>3</b>	<b>2</b>
<b>Commitment at Risk (US\$m)</b>	<b>59.4</b>	<b>0</b>	<b>56.5</b>	<b>34.0</b>
<b>Commitment at Risk %</b>	<b>18.3</b>	<b>0</b>	<b>25.5</b>	<b>12.1</b>

**IFC's primary focus was on the first and second and (to a lesser extent) third area of engagement.** The strategy was to contribute to the CPS agenda by promoting private sector development through investments and advisory services aimed at promoting diversification and competitiveness and reducing the SOE footprint. Coordination between IFC and IDA/IBRD around common strategic goals was strengthened and expanded during CPS implementation. Coordination was especially strong in the financial sector where the two WBG arms worked on a joint program to strengthen the regulatory framework and increase the depth of the financial infrastructure, and in the development of sustainable agribusiness through the joint WBG dairy initiative. Joint and complementary activities were also pursued in key areas such as business environment and energy infrastructure.



**As of January 31, 2018, IFC's committed portfolio stood at US\$5.6 million, with investments focusing on the development of financial services.** In the financial sector, IFC's advisory and investment services aimed to increase access to finance for the private sector and particularly for MSMEs. Through investments IFC supported the expansion of microfinance organizations and provided financing to domestic banks for MSME on lending. Through advisory services IFC aimed at improving financial markets infrastructure, specifically credit information sharing and secured transactions systems, as well as financial literacy and risk management; promoted the institutional and capacity building of financial intermediaries; and promoted microfinance and housing microfinance development at the policy level. In other areas IFC implemented a number of advisory programs which were focused on: (i) enhancing the investment climate, tax administration, and trade facilitation; (ii) improving corporate governance in local companies; (iii) improving agri-finance and agri-supply chains; and (iv) developing public-private partnership (PPP) projects, currently in the health and education sectors. IFC efforts are also directed at maximizing the opportunities offered by the export markets of the Eurasian Economic Union in agribusiness and food production, especially in the dairy sub-sector. IFC jointly with the Bank has also been exploring a greater role in energy efficiency and renewable energy.

**The World Bank's Performance is rated Good overall.** This assessment is based on the following:

### **Design**

**The high relevance of CPS objectives and design to the NSDS and its strong alignment with the corporate twin goals – as previously discussed in detail (paras 3-4), the CPS was fully aligned with the NSDS and with the corporate goals of promoting shared prosperity and reducing poverty.** Moreover, the CPS program was strategic (organized around governance) and selective and struck an appropriate balance between budget support and IPF lending, with instruments tailored appropriately to country or sectoral circumstances.

**Results Matrix.** The CPS results matrix was well designed in that there was a clear causal chain between national development challenges, Government objectives/programs, the Bank's contribution to these objectives and the specified outcomes. Outcomes were also appropriately linked to CPS activities, both ongoing interventions inherited from the previous CAS as well as new operations and ASA. Moreover, in all instances the outcome indicators were measurable and, except for some results included in Outcome Area 1, they were actually measured. The principal weakness with regards to the matrix was its failure to include any indicators related to the cross-cutting themes of gender, sustainability and social development. While these issues were prominent in the CPS and appropriate to the country context, their omission from the results matrix makes it difficult to assess the extent to which desired outcomes were achieved. A second omission is the absence of a matrix column showing the specific country goal being supported (wholly or in part) by the CPS program. This was addressed instead by referring to the specific section of the NSDS to which the CPS objective related. While this approach removed any risk that the country goal may be misrepresented, it also may have impeded readers' ability to understand the linkage between the country and CPS goal without explicit reference to the NSDS.

### **Implementation**

**The Bank's flexibility and responsiveness to changing circumstances combined with an ability to remain firm on key issues –** this was most apparent with respect to the DPO program, where the Bank effectively supported the Kyrgyz government in addressing the energy crisis but remained firm with regards to longer term energy sector reforms, including rationalization of the tariff structure

**Broad continuity of dialogue and program implementation despite frequent turnover of Government counterparts** – the WBG maintained a continuous, intensive dialogue with counterparts which enabled delivery of the CPS program despite three changes of Government coalitions over the CPS period. This continuous effort at both central and line ministry levels allowed for achievement of the majority of planned CPS outcomes.

**Close coordination with, and leveraging of, partners’ resources** – as noted throughout the preceding discussion of the CPS program and outcomes, the WBG coordinated closely with other development partners in all areas of the CPS. Cooperation between the WBG and development partner agencies enabled the provision of critically needed TA and analytical inputs to Government agencies, which may not otherwise have been possible due to the Kyrgyz authorities’ unwillingness to borrow IDA funds for these activities. The Bank also worked closely with the Government to help improve broader donor coordination in the country and link it more directly to identified national priorities.

**Program Risks.** The CPS document appropriately identified key risks to CPS implementation and laid out strategies for mitigating them. The most prominent risks highlighted were political volatility/governance issues and weaknesses in institutional capacity. These mitigation measures – especially those related to countering weak implementation capacity and governance gaps -- were largely put into practice during the CPS period. Examples are the emphasis on governance reforms and the institutional adaptations necessary to this end, the use of trust funds to address gaps in capacity, and to mobilize donors to fill complementary needs to the IDA program, and the focus in the dialogue on energy reforms, critical to both fiscal stability and export prospects.

#### IV. MAIN LESSONS

**This review of the FY14-17 CPS in Kyrgyz Republic yields some useful lessons with respect to future work in the Kyrgyz Republic as well as for Bank work in other countries.** The key lessons are<sup>12</sup>:

- ***To fully address governance challenges a long-term approach spanning several CPF periods, which mainstreams governance considerations throughout the entire WBG program is required.*** Governance was the key focus area of the four-year CPS program. However, governance challenges could not be addressed fully during the CPS period largely due to inadequate (though improving) capacity within the government and its agencies, institutional weaknesses, principally the inability to coordinate across the government and, at times, insufficient determination. Governance remains a critical development bottleneck. The lessons are to take a long-term approach spanning several CPF periods and to mainstream governance considerations throughout the entire WBG program. This approach will also build on the strong demand for improved governance by fostering citizen engagement mechanisms, e.g. active community empowerment elements and tools such as grievance redress mechanisms, citizen satisfaction surveys, and participatory planning.
- ***An approach that aims at overarching private sector development reforms would allow a greater WBG impact on improving the business climate, rather than a focus on specific doing business indicators and selective interventions through advisory programs. A further lesson is to continue to build on improved intra-WBG coordination, noting that regulatory reforms are most***

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<sup>12</sup> Implementation of the CPS for FY14-17 and lessons learned had been discussed with Ministry of Finance and PIUs of key implementing agencies, including Ministry of Health, Ministry of Transport and Roads, Ministry of Agriculture, Food Industry and Melioration, and Community Development and Investment Agency (ARIS).

***successful when supported through Bank lending and IFC investments.*** The maximizing finance for development (MFD) approach and the IFC 3.0 strategy, leveraging utilization of the IDA PSW and CMAW, are promising avenues for maximizing impact through private sector development.

- ***Knowledge products effectiveness could be further enhanced by greater use of programmatic approaches and a stronger focus on communication and dissemination.*** Politically difficult structural reforms require strategic use of communications. ***Also, it is vital that the Bank makes important technical data available for the main stakeholders in an accessible form and helps the government to conduct comprehensive information and awareness raising campaigns.*** Systemic use of communications – pro-active messaging on the expected outcomes and benefits of the project – has successfully supported Bank’s interventions in the rural water, energy and education sectors.
- ***Focus IDA financing on the programs of high national priority that enjoy strong commitment from the government and have dedicated champions in the implementing agencies.*** Experience shows that most systemic portfolio issues - effectiveness delays, protracted decision making by an implementing agency, slow project implementation – could be overcome in cases where strong political support from the government was strong and/or there was a clear “champion” within the highest levels of the administration.

**Three other lessons reflected in the CPF’s content and design** are: (a) progress in legislative and regulatory reforms to be followed-up by a more determined and steadfast commitment to implementation; (b) consistent and irreversible reforms can be achieved only through programmatic support within a macroeconomic policy framework that is rules-based and long-term in orientation; and (c) partnerships that are strategically aligned with IDA objectives add volume, concessionality and complementarity to IDA activities.

## ANNEX 1: CPS Results Matrix summarizing progress

CPS Main Outcomes	Progress	Main WBG Instruments
<b>Area of Engagement 1: Public Administration and Public Service Delivery</b>		
<b>Objective 1.: Establish a robust system of public administration and reforming the judiciary - Not Achieved (NSDS, 2.6)</b>		
<p>➤ <b>Building a meritocratic public administration, as measured by the World Economic Forum score on favoritism in decisions of government</b></p> <ul style="list-style-type: none"> <li>• <i>Baseline (2012): 136</i></li> <li>• <i>Target (2017): 120</i></li> </ul> <p>➤ <b>Verification of declarations of conflict of interest by the Commission:</b></p> <ul style="list-style-type: none"> <li>• <i>Baseline (2015): zero</i></li> <li>• <i>Target (2017): 15 % of filings</i></li> </ul> <p>➤ <b>Graft index (ratio of reported bribes for public services to total transactions):</b></p> <ul style="list-style-type: none"> <li>• <i>Baseline (2015): 15%</i></li> <li>• <i>Target (2017): &lt;10%</i></li> </ul> <p>➤ <b>Improving access to justice, as measured by:</b></p>	<p>- <i><b>Achieved: 81 (2016)</b></i> (Source: World Economic Forum) The results significantly surpassed the targeted level. In addition, a Public Sector Reform Roadmap with a time-bound implementation plan was adopted in 2014 together with new Public Services Standards.</p> <p>- <i><b>Not Achieved</b></i> Delay in enacting the Law on Conflict of Interest<sup>13</sup> has prevented establishment of the Commission.</p> <p>- <i><b>Not Verified</b></i> A study on Graft index has not been conducted due to cancelation of the DPO in FY17. However, KR's improved standing in the World Economic Forum rankings on corruption, the progress made in implementing the Public Sector Reform Roadmap and procurement reforms all point to likely reductions in bribes over the CPS period.</p> <p>- <i><b>Not achieved: 0.59 (2016)</b></i><sup>14</sup> Bank and other donor support helped develop a Judicial Reform Strategy and Action Plan but there was no Bank</p>	<p><u>IDA Lending:</u></p> <ul style="list-style-type: none"> <li>– Annual DPOs with strong governance content</li> <li>– Capacity Building for Economic Management (FY09)</li> <li>– Governance TA (FY03)</li> </ul> <p><u>ASA:</u></p> <ul style="list-style-type: none"> <li>– Poverty Analysis Program</li> <li>– Public Sector Reform Roadmap</li> <li>– Governance reforms – second generation</li> <li>– Programmatic Public Expenditure Review (FY14)</li> </ul> <p><u>Trust Fund:</u></p> <ul style="list-style-type: none"> <li>– Capacity Building in Public Financial Management (FY10);</li> <li>– Public Procurement Capacity Building (FY14);</li> <li>– Implementation of the National Strategy for Development of Statistics (KGSTAT) (FY14)</li> </ul>

<sup>13</sup> It was vetoed by the President and is yet to go back for the 3rd reading in an amended version.

<sup>14</sup> Judiciary sector development action plan adopted (2014) and currently under implementation.

CPS Main Outcomes	Progress	Main WBG Instruments
<b>World Justice Project Rule of Law Index – sub-indicator 7.1: “People can access and afford civil justice”:</b> <ul style="list-style-type: none"> <li>• <i>Baseline (2013): 0.64</i></li> <li>• <i>Target (2017): 0.7</i></li> </ul> <p>➤ <b>PEFA P1-19 score on competition, value for money and controls in procurement:</b></p> <ul style="list-style-type: none"> <li>• <i>Baseline (2014): B</i></li> <li>• <i>Target (2017) B+</i></li> </ul>	<p>lending engagement in the sector, as the planned judicial project was dropped</p> <p>- <i>Not Verified</i></p> <p>A new Public Procurement Law in line with international good practice was adopted, e-procurement is being used and a Complaint Review Commission was established in March 2016 and had reviewed about 500 complaints by end 2016. However, final verification requires a new PEFA assessment which was not done.</p>	
<b>Objective 2: Expanding access to, and increasing the efficiency and quality of education, health, and other public services - Achieved (NSDS, 4.1-4.5)</b>		
<p>➤ <b>Increase in number of villages with improved social and economic infrastructure.</b></p> <ul style="list-style-type: none"> <li>• <i>Baseline (2007): 1000</i></li> <li>• <i>Target (2017): 1500</i></li> </ul> <p>➤ <b>Increased enrolment in the full-year pre-school program</b></p> <ul style="list-style-type: none"> <li>• <i>Baseline: 0 (2010)</i></li> <li>• <i>Target: 70% (2017)</i></li> </ul> <p>➤ <b>Mortality rate from cardiovascular disease (40-59 years, per 100 000)</b></p> <ul style="list-style-type: none"> <li>• <i>Baseline: 310 (2011)</i></li> <li>• <i>Target: 287 (2017)</i></li> </ul> <p>➤ <b>Reduced TB mortality rate</b></p>	<p>- <i>Achieved: 1698 (2017)</i> (Source: ARIS monitoring data) As documented in the VIP ICR report, this target was surpassed</p> <p>- <i>Achieved: 70% (2017)</i> (Source: Ministry of Economy statistics) The increased enrolment was achieved through a rollout of the government’s annual school preparation program of three cohorts of children aged 5/6 between 2015- and 2017.</p> <p>- <i>Achieved: 263.8 (2015)</i> (Source: National Health Information System, Ministry of Health) Bank support was provided through the health operation SWAP2 via the Den Sooluk National Health Reform program.</p> <p>- <i>Achieved: 6.1 (2015)</i></p>	<p><u>IDA Lending:</u></p> <ul style="list-style-type: none"> <li>– Third Village Improvement Project (FY15);</li> <li>– Rural Water Supply and Sanitation-2 (FY09);</li> <li>– Health &amp; Social Protection SWAp (FY06)</li> <li>– Health &amp; Social Protection SWAp-2 (FY13);</li> <li>– Sector Support for Education Reform (FY13)</li> </ul> <p><u>IFC Advisory:</u></p> <ul style="list-style-type: none"> <li>- PPP transaction advisory to GoKR. Hemodialysis PPP closed in 2017, constituting the first ever PPP in the country, improving access to high quality dialysis services, and a value of financing facilitated of</li> </ul>

CPS Main Outcomes	Progress	Main WBG Instruments
<ul style="list-style-type: none"> <li>• <b>Baseline: 8.7 (2011)</b></li> <li>• <b>Target: &lt;8 (2016)</b></li> </ul> <p>➤ <b>Share of social assistance spending on poverty-targeted programs</b></p> <ul style="list-style-type: none"> <li>• <b>Baseline (2011): 18.5%</b></li> <li>• <b>Target (2017): 30%</b></li> </ul> <p>➤ <b>Reduction of water-borne diseases in project areas</b></p> <ul style="list-style-type: none"> <li>• <b>Baseline (2009): zero</b></li> <li>• <b>Target (2014): - 60%</b></li> </ul> <p>➤ <b>Reduced average emergency response time</b></p> <ul style="list-style-type: none"> <li>• <b>Baseline (2013): 3 hours</b></li> <li>• <b>Target (2017): 1 hour</b></li> </ul>	<p>(Source: National Health Information System, Ministry of Health)</p> <p>Bank support was provided through the health operation SWAP2 via the Den Sooluk National Health Reform program.</p> <p>- <b>Achieved: 32.3% (2016)</b> (Source: Ministry of Finance budget data and WB staff estimates)</p> <p>- <b>Achieved: 62.5%</b> (Source: Ministry of Health, State Sanitary and Epidemiology Department)</p> <p>The result exceeded the target of achieving a 60% reduction in water-borne diseases by 2.5%. Improved access to safe drinking water supported through the RWSS project contributed to the sharp reduction of water-borne diseases in target villages.</p> <p>- <b>Achieved: 1 hour (2017)</b> (Source: Ministry of Emergency Situations)</p> <p>The reduction in emergency response times was supported by the establishment of a unified information and communication system for emergency warning and dispatch services, supported through the Bank's GFDRR.</p>	<p>EUR10mn. Other health PPPs in the pipeline.</p> <p><u>IFC Investments:</u></p> <ul style="list-style-type: none"> <li>- Potential investments in private health and education providers. IFC eligible investments were not identified during the CPS period.</li> </ul> <p><u>ASA:</u></p> <ul style="list-style-type: none"> <li>- Social Protection on Targeting and Equity (FY16)</li> <li>- Poverty studies</li> <li>- Health Sector Review (FY16)</li> <li>- High Level Human Development Review (FY14)</li> <li>- Rural Water Supply and Sanitation (FY14);</li> <li>- Governance in Local Social Services (FY15)</li> </ul> <p><u>Trust Funds:</u></p> <ul style="list-style-type: none"> <li>- Health Results-Based Financing Pilot (FY13)</li> <li>- Kyrgyz Early Education Project (GPE-KEEP) (FY14)</li> <li>- Global Facility for Disaster Reduction and Recovery (GFDRR) (FY12)</li> </ul>
<b>Area of Engagement 2: Business Environment and Investment Climate</b>		

CPS Main Outcomes	Progress	Main WBG Instruments
<b>Objective 3: Promoting financial and private sector development - Mostly Achieved (NSDS, 8.1-8.6 and 9.1-9.6)</b>		
<p>➤ <b>Rise in volume of MSME loans provided by MFIs supported by IFC</b></p> <ul style="list-style-type: none"> <li>• <b>Baseline:</b> US\$150 million (2011)</li> <li>• <b>Target:</b> US\$200 million (2016)</li> </ul> <p>➤ <b>Rise in yearly registrations in collateral registry</b></p> <ul style="list-style-type: none"> <li>• <b>Baseline (2013):</b> 42,000</li> <li>• <b>Target (2016):</b> 62,000</li> </ul> <p>➤ <b>Increased private credit bureau coverage (% of adults)</b></p> <ul style="list-style-type: none"> <li>• <b>Baseline (2012):</b> 24.6%</li> <li>• <b>Target (2016):</b> 30.0%</li> </ul> <p>➤ <b>Increase of "eligible deposits" as percent of GDP</b></p> <ul style="list-style-type: none"> <li>• <b>Baseline (2013):</b> 7.97 %</li> <li>• <b>Target (2017):</b> 13 %</li> </ul>	<p>- <b>Achieved:</b> US\$249 million (2016) (Source: internal IFC data) IFC provided MFIs (both investees and non-investees) with targeted advisory services to improve the quality and availability of financial services for MSMEs.</p> <p>- <b>Achieved:</b> 66199 registrations (2016) (Source: Central Collateral Registration office under the Ministry of Justice of KR) This component is being implementing under the Bank FSDP which put in place the policy and institutional framework and infrastructure for the collateral information system On-line registration system was fully operational starting Apr 1, 2017 and will further accelerate collateral registrations going forward.</p> <p>- <b>Achieved:</b> 30.6% (Source: Doing Business Report 2017) FSDP strengthened financial market by developing effective credit information sharing system that allows financial institutions to make faster and accurate credit decisions, thereby increasing the availability and affordability of financial services for individual consumers, micro, small, and medium enterprises.</p> <p>- <b>Mostly Achieved:</b> end-2016 result was 12.57% (Source: Deposit Protection Agency, based on deposit data submitted by banks) Given its trajectory, the 2017 target is likely to be surpassed, having already reached 12.57% by end 2016. The DPA will issue 2017 data at the end of the calendar year. The FSDP and related ASA helped improve deposit protection legislation,</p>	<p><u>IDA Lending:</u></p> <ul style="list-style-type: none"> <li>- Financial Sector Development Project (FY12);</li> </ul> <p><u>ASA:</u></p> <ul style="list-style-type: none"> <li>- Strategy to Raise Factor Productivity and Promote Diversification (FY15);</li> <li>- Programmatic Public Expenditure Review (FY14);</li> <li>- Custom Union and competitiveness (FY14);</li> <li>- Business Environment Enhancement (FY15);</li> <li>- Tax Reforms and Gender (FY13)</li> </ul> <p><u>Joint WB-IFC Activity:</u></p> <ul style="list-style-type: none"> <li>- Improvement of legal framework for moveable collaterals</li> </ul> <p><u>IFC Advisory:</u></p> <ul style="list-style-type: none"> <li>- Azerbaijan-Central Asia Financial Infrastructure Project Phase II</li> <li>- Azerbaijan and Central Asia Micro and Responsible Finance Project Housing Microfinance</li> <li>- Central Asia Tax Project</li> <li>- Investment Climate Project</li> <li>- Central Asia Corporate Governance Project in the Kyrgyz Republic (CACGP II)</li> </ul>

CPS Main Outcomes	Progress	Main WBG Instruments
<p>➤ <b>Reduced tax compliance labor cost for businesses</b></p> <ul style="list-style-type: none"> <li>• <b>Baseline (2012): average tax compliance costs of KGS 30,800 or US\$655 for one taxpayer or 40.4 working days</b></li> <li>• <b>Target (2016): 10% lower in real terms</b></li> </ul> <p>➤ <b>Decreased regulatory compliance cost and improved quality of business inspections in pilot agencies as measured by non-tax inspection compliance cost</b></p> <ul style="list-style-type: none"> <li>• <b>Baseline (2011): US\$1.8 million compliance cost savings</b></li> <li>• <b>Target (2016): 10% lower costs in real term</b></li> </ul>	<p>strengthened coordination among safety-net participants; and improved public awareness of the deposit protection system.</p> <p>- <b>Achieved: 44% lower in real terms</b> (<i>Tax Compliance Cost Survey for 2016</i>). The IFC Central Asia Tax project has supported alleviation of the tax reporting burden for business by introducing better forms, decreasing the number of filings, and easing reporting processes and requirements.</p> <p>- <b>Achieved: 30% lower compliance cost savings</b> (<i>Source: IFC survey 2017</i>) Reduced number of inspections per business from 2.65 to 1.45, reduced average duration of inspection from 7 days to 0.25, reduced average cost per inspection from 9.800 to 131 soms. As a result, annual nation-wide direct compliance cost savings for businesses estimated at USD5,3mn.</p>	<p>- Central Asia Trade Logistics Project (CATLP, 2016-19)</p> <p><u>IFC Investments:</u></p> <ul style="list-style-type: none"> <li>- Magic Box II loan</li> <li>- Bai Tushum loan committed (FY15); supporting SMEs;</li> <li>- Cross-currency swaps transacted for Bai Tushum, Finca KG and Kompanion (FY15)</li> </ul> <p><u>Trust Fund:</u></p> <ul style="list-style-type: none"> <li>- IDF grant for Private Sector Development Capacity Building (FY13)</li> </ul> <p>ASA:</p> <ul style="list-style-type: none"> <li>- Financial Consumer Protection TA (FY16)</li> </ul>
<b>Objective 4: Increasing the efficiency and competitiveness of agriculture - Mostly Achieved (NSDS, 10.1)</b>		
<p>➤ <b>Increase in the gross value of output for APAP target farms</b></p> <ul style="list-style-type: none"> <li>• <b>Baseline (2011): zero</b></li> <li>• <b>Target (2015): 30 %</b></li> </ul> <p>➤ <b>Average weighted increase in crop yields for APAP target farms</b></p> <ul style="list-style-type: none"> <li>• <b>Baseline (2011): zero</b></li> <li>• <b>Target (2015): 25 %</b></li> </ul>	<p>- <b>Achieved: 30% (2015)</b> (<i>Source: ABCC monitoring data</i>)</p> <p>- <b>Achieved: 25% (2015)</b> (<i>Source: ABCC monitoring data</i>)</p>	<p><u>IDA Lending:</u></p> <ul style="list-style-type: none"> <li>- Second On-farm Irrigation (FY07)</li> </ul> <p><u>Joint WB-IFC Advisory:</u></p> <ul style="list-style-type: none"> <li>- Joint Dairy Initiative</li> </ul> <p><u>IFC Investments:</u></p> <ul style="list-style-type: none"> <li>- Potential MSME credit lines for on-lending to farmers and investments</li> </ul>



CPS Main Outcomes	Progress	Main WBG Instruments
<p>➤ Expanded cold storage capacity</p> <ul style="list-style-type: none"> <li>• <i>Baseline (2013): up to 3000 mt</i></li> <li>• <i>Target (2017): up to 20000 mt</i></li> </ul>		<p>in agribusiness: such investments were not identified during the CPF period, though existing IFC clients provide non-sector specific SME loans including agribusiness</p> <p><u>IFC Advisory:</u></p> <ul style="list-style-type: none"> <li>– ECA Food Safety Advisory,</li> <li>– ECA Resource Efficiency Program</li> <li>– Central Asia Agri-Finance Project</li> <li>– Investment Climate Project</li> </ul> <p><u>Trust Fund:</u></p> <ul style="list-style-type: none"> <li>– Agriculture Productivity and Nutrition Improvement Project (GAFSP) (FY16)</li> <li>– Agricultural Productivity Assistance Project (Global Food Crisis Response Program) (FY11) <ul style="list-style-type: none"> <li>– Support to Community Seed Funds Project (JSDF) (FY13)</li> </ul> </li> </ul>
<b>Area of Engagement 3: Natural Resources and Physical Infrastructure</b>		
<b>Objective 5: Ensuring Energy Security and Developing Export Potential - Mostly Achieved (NSDS, 10.2)</b>		
<p>➤ Energy loss reduction in largest distribution company Severoelectro</p> <ul style="list-style-type: none"> <li>• <i>Baseline (2012): 22%</i></li> <li>• <i>Target (2017): 15%</i></li> </ul> <p>➤ Increase in cash collection per kWh of electric energy generated</p> <ul style="list-style-type: none"> <li>• <i>Baseline (2013): 0.59 som/kWh</i></li> </ul>	<p>- <i>Mostly Achieved: 18% (2016)- target is beyond the CPF period.</i> (Source: Loss ratio calculated based on Technical and Economic Indicators (TEI), State Regulatory Agency for Energy and Fuel)</p> <p>- <i>Achieved: 0.93 som (2015)</i></p>	<p><u>IDA Lending:</u></p> <ul style="list-style-type: none"> <li>– Development policy operations (FY14, FY17)</li> <li>– Energy Sector Development Policy Operation (FY15)</li> <li>– Electricity Supply Accountability and Reliability Improvement Project (FY15)</li> <li>– Emergency Recovery (FY11)</li> </ul>

CPS Main Outcomes	Progress	Main WBG Instruments
<ul style="list-style-type: none"> <li><b>Target (2015): 0.64 som/kWh</b></li> <li>➤ <b>Increase in cash collection per Gcal of generated heat at Bishkek CHP</b></li> <li><b>Baseline (2013): 460 som/GCal</b></li> <li><b>Target (2015): 598 som/GCal</b></li> </ul>	<p>(Source: <i>Technical and Economic Indicators (TEI), State Regulatory Agency for Energy and Fuel</i>)</p> <p>Bank support under ESARIP facilitated improvements in Severelectro's billing and customer care systems. Co-financing from KfW contributed to improving energy metering.</p> <p>- <b>Achieved: 697 som (2015)</b> (Source: <i>Technical and Economic Indicators (TEI), State Regulatory Agency for Energy and Fuel</i>)</p>	<p><u>ASA:</u></p> <ul style="list-style-type: none"> <li>Public Expenditure Review;</li> <li>Heating and Energy Efficiency Assessment for the Building Sector of the KR and Tajikistan (FY13)</li> <li>Heating Efficiency Improvement (FY15)</li> <li>Tariff Setting Methodology (FY15)</li> <li>Capacity building support to the New Energy Regulator of the KR (FY15)</li> </ul> <p><u>IFC Advisory:</u></p> <ul style="list-style-type: none"> <li>Central Asia Energy Advisory</li> </ul> <p><u>Trust Funds:</u></p> <ul style="list-style-type: none"> <li>ESMAP</li> <li>Central Asia Energy-Water Development Program (CAEWDP) (FY10)</li> <li>Power Sector Note (FY13)</li> </ul>
<b>Objective 6: Expanding domestic, regional, and international development transport connectivity - Achieved (NSDS, 10.4)</b>		
<ul style="list-style-type: none"> <li>➤ <b>Reduction of travel time along the project road sections in Batken Oblast</b></li> <li><b>Baseline (2009): 68 minutes</b></li> <li><b>Target (2014): 60 minutes</b></li> <li>➤ <b>Reduction in transport cost along project road sections in Batken Oblast</b></li> <li><b>Baseline (2009): US\$ 0.3 (per vehicle per km)</b></li> </ul>	<p>- <b>Achieved: 40 min</b> (Source: <i>Ministry of Transport and Roads Reports, 2009-2014</i>)</p> <p>The target was exceeded by 1/3 due to rehabilitation of project road sections under NRRP.</p> <p>- <b>Achieved: US\$0.25 (per vehicle per km)</b> (Source: <i>Ministry of Transport and Roads Reports, 2009-2014</i>)</p> <p>The initially set target was exceeded due to rehabilitation of project road sections under NRRP.</p>	<p><u>IDA Lending:</u></p> <ul style="list-style-type: none"> <li>National Road Rehabilitation (Osh-Batken-Isfana) Project (FY10)</li> <li>Bishkek and Osh Urban Infrastructure (FY08)</li> <li>Central Asia Road Links – Kyrgyz Republic (FY14)</li> </ul> <p><u>Trust Funds:</u></p>

CPS Main Outcomes	Progress	Main WBG Instruments
<ul style="list-style-type: none"> <li>• <b>Target (2014): US\$0.27 (per vehicle per km)</b></li> <li>➤ <b>Improved trade along the Osh-Batken-Isfana road through two border posts with Tajikistan:</b></li> <li>• <b>Baseline (2014): 5 million of tons of freight</b></li> <li>• <b>Target (2019): 5.5 million of tons of freight</b></li> </ul>	<ul style="list-style-type: none"> <li>- <b>Not applicable:</b> zero (2017) (Source: Customs, National Statistics 2014, 2019) The target to be achieved with support from the CARs-1 project is planned for 2019. The project is still ongoing, results for 2019 cannot be measured in mid-2017</li> </ul>	<ul style="list-style-type: none"> <li>- Institutional Development Grant (IDF) for Introduction of Quality Management Systems in the Roads Sector (FY10)</li> <li><u>ASA</u></li> <li>- Central Asia Trade Links (FY13)</li> </ul>
<b>Objective 7: Improving the management of agriculture, forestry, mineral, pastureland, and water resources, including extension and other support services, for sustainable development - Partly Achieved (NSDS, 5.1-5.2, 10.3)</b>		
<ul style="list-style-type: none"> <li>➤ <b>Water distribution to farmers within 80% of the rehabilitated systems closely matches the crops' irrigation water demands.</b></li> <li>• <b>Baseline (2008): 10 WUA systems</b></li> <li>• <b>Target (2017): 104 WUA systems</b></li> <li>➤ <b>Average increase in crop productivity in project's schemes, compared to non –project schemes.</b></li> <li>• <b>Baseline (2012): zero</b></li> <li>• <b>Target (2017): 10%</b></li> <li>➤ <b>Percentage of pasture user unions (PUU) in project areas with sound community based</b></li> </ul>	<ul style="list-style-type: none"> <li>- <b>Mostly Achieved:</b> 100 (2016) (Source: PIU under the Department of Water resources and melioration monitoring data) The actual irrigation water supply accounted for more than 80% of demand of water users in 100 rehabilitated WUAs. Four WUAs do not function or function improperly because of the weak management.</li> <li>- <b>Mostly Achieved:</b> 8% (2016) (Source: PIU under the Department of Water resources and melioration monitoring data) Average increase in crop productivity for rehabilitated WUAs reached 8%. The greatest growth of yield was observed on such crops as: legumes (66.7%), maize (29.4%), rice (14.7%), and perennial grasses (27.1%). The yield of spring wheat decreased by 32.6%, potatoes - 21.4% and vegetables - 5.9%.</li> <li>- <b>Not Achieved:</b> zero (2017) (Source: APIU under the Ministry of Agriculture and Melioration monitoring data)</li> </ul>	<p><u>IDA Lending:</u></p> <ul style="list-style-type: none"> <li>- Second On-farm Irrigation project (FY07)</li> <li>- Water Management Improvement Project (FY06)</li> <li>- Integrated Forest Ecosystem Management Project (FY16)</li> <li>- Pasture Management Improvement Project (FY15)</li> <li>- Village Improvement Project -2 (FY07)</li> <li>- Village Improvement Project -3 (FY15)</li> <li>- Sustainable Rural Water Supply and Sanitation Development Project (FY17)</li> </ul> <p><u>IFC Investment:</u></p> <ul style="list-style-type: none"> <li>- Potential investments in private mining companies. Such</li> </ul>

CPS Main Outcomes	Progress	Main WBG Instruments
<p><b>pasture management plans (CPMP).</b></p> <ul style="list-style-type: none"> <li>• <b>Baseline (2016): zero</b></li> <li>• <b>Target (2017): 30%</b></li> </ul> <p>➤ <b>Mining tenders in line with international best practices held on two medium to large size Kyrgyz mineral deposits in 2014-2017.</b></p> <ul style="list-style-type: none"> <li>• <b>Target (2017): yes</b></li> </ul>	<p>With the baseline of zero (2016), the target for 2017 was set at 30% (i.e. 42 PUU out of total of 140 PUU in the project area). As of today, 10 CPMP has been approved. Pasture technical experts will help remaining communities to develop CPMPs by end 2017.</p> <p>- <b>Not Verified</b> Tenders were completed but the Team cannot assess whether tenders were conducted in alignment with international best practices</p>	<p>investments were not identified within the CPS period.</p> <p><u>IFC Advisory:</u></p> <ul style="list-style-type: none"> <li>– Corporate governance assessment of state gold mining company Kyrgyz Altyn carried out, however recommendations were only partially implemented by the company.</li> </ul> <p><u>Trust Fund:</u></p> <ul style="list-style-type: none"> <li>– National Water Resources Management Project – Phase 1 (SDC financed) (FY14)</li> <li>– Agriculture Productivity and Nutrition Improvement Project (GAFSP financed) (FY16)</li> <li>– Central Asia Energy-Water Development Program (CAEWDP) (FY10)</li> <li>– Mining Sector Technical Assistance Project (FY14)</li> <li>– EITI Post Compliance I (FY11)</li> <li>– EITI Post Compliance Phase II (FY14)</li> </ul> <p><u>ASA:</u></p> <ul style="list-style-type: none"> <li>– Improving Civil Society Engagement in EITI in Kyrgyz Republic (FY13)</li> </ul>

## ANNEX 2: CITIZEN ENGAGEMENT

The context for citizen engagement in the Kyrgyz Republic remained fairly constant during the CPS period - all indicators are similar in FY17 as in FY14, and projects did not face significant variation in the context for engagement. Despite this, a number of hurdles for civil society, illustrated through the enabling environment, indicated a tightening of space for civil society voice. Notably the parliament resisted efforts to establish a potentially constraining NGO law and a Bill which would affect the rights of the LGBT community has not moved forward for parliamentary readings.

**Country Portfolio.** Compliance with citizen engagement corporate requirements and quality at design are very strong in the Kyrgyz Republic, well above ECA averages, and among the highest of ECA country results (see table below). With regard to quality, the projects in the Kyrgyz Republic portfolio (approved between FY14-17) show very solid results: over 85% allow feedback on any issue – no longer restricting beneficiaries to engage on predefined issues; over 85% enable citizens to use multiple channels; 100% of projects in the portfolio now enable at least annual feedback; and 75% include some sort of state-non-state interaction or dialogue.

### Compliance with corporate requirements for citizen engagement at approval

	% compliance Beneficiary feedback indicator	% compliance Citizen-oriented design	Quality index
Pre-FY14 (3 project)	33%	66%	-
FY14 (2 projects)	50%	100%	<b>2.67</b> *ECA average is 2.1
FY15 (3 projects)	100%	100%	
FY16 (2 projects)	100%	100%	
FY17	-	-	
FY18	100%	100%	
Number of projects in portfolio (incl. pre-FY14)	7 projects include an indicator in the RF; 3 projects do not.	9 projects have a citizen-oriented design; 1 project (pre-FY14) does not.	

**Citizen Engagement Country Roadmap results.** The portfolio established a Citizen Engagement Country Roadmap in the PLR specifically to improve quality of engagement. The roadmap set out a number of targets, established streams of action and strategies for operations, the CPS and DPO, beneficiary feedback, GRMs and measurement. While efforts to support the energy sector could not be met due to the change in government priorities with respect to energy subsidy reform, most targets were met, and some surpassed. Key achievements during the CPS period included:

- a. A new citizen engagement project focused on supporting community engagement in schools (P159699), now ensures that a system of community monitoring is in place in all schools in all the poorest districts of each oblast across the country. This monitoring, achieved through the Community Scorecard, empowers Boards of Trustees and their communities to improve school governance and to hold schools accountable for performance (Goal 1).

b. Efforts to significantly improve beneficiary feedback in 50% of the existing portfolio, implemented by ARIS through the establishment and financing of a new Beneficiary Feedback System for VIP3, PLMIP, SRWSSDP, UDP, and District Heating projects. The BFM system includes enhanced outreach and awareness building, systems of complaints handling, gender disaggregated reporting, as well as a centralized oversight system to improve governance and internal controls and transparency of the responses to communities (Goals 2 and 4).

c. A comprehensive in-depth review of all grievance redress mechanisms and action plans for improvement in all projects – this has led to a broadening of the GRM to the BFM in the above projects. All projects now report on GRM results in internal reporting (Goal 5).

d. A partnership to introduce innovation and improve the quality of community mobilization is being tested and social accountability introduced in the forthcoming CSP project (Goals 2 and 4).

Effort to develop objectives and priorities linked to the CPF will be developed in the context of an updated Citizen Engagement Country Roadmap presented in the CPF.

**ANNEX 3: Planned vs Actual IDA Lending**

CPS PLANS FY14			CLR STATUS - FY17	
FY14				
CPS Area		IDA		IDA
1	Programmatic Development Policy Operation 1	25	Programmatic Development Policy Operation 1 Approved (07/25/13)	25
1	Programmatic Development Policy Operation 2	25	Programmatic Development Policy Operation 2 Approved (06/10/14)	25
3	Central Asia Road Links – Kyrgyz Republic	45	Central Asia Road Links – Kyrgyz Republic Approved (04/22/2014)	45
3	Rural Water Supply and Sanitation - 2 Additional Financing	2	Rural Water Supply and Sanitation -2 Additional Financing <a href="#">Dropped[1]</a>	
3	CASA – 1000	45	CASA – 1000 Approved (03/27/2014)	45
Subtotal:		142	Subtotal:	140
FY15				
3	Pasture and Livestock Management Improvement Project	12	Pasture and Livestock Management Improvement Project Approved (07/15/2014)	15
3	Electricity Supply Accountability and Reliability Improvement	12	Electricity Supply Accountability and Reliability Improvement. Approved (07/15/2014)	25
1	Development Policy Operation	24	Development Policy Operation - approved as Energy Sector DPO (01/29/2015)	24
2	Regional Animal Health control - Kyrgyz contribution	5	Regional Animal Health control - Kyrgyz contribution <a href="#">Dropped[2]</a>	
3			Third Village Investment Project – Approved (03/27/2015) – moved from FY16	12
Subtotal:		53	Subtotal:	76
FY16				
1	Governance and Competitiveness Programmatic DPO	24	Governance and Competitiveness Programmatic DPO – slipped to FY17	
3	Integrated Forest Ecosystem Management Project	12	Integrated Forest Ecosystem Management Project Approved (11/24/2015)	12
3	Third Village Investment Project	12	Third Village Investment Project – moved to FY15	
3			Urban Development Project – Approved (03/18/2016) moved from FY17	12
Subtotal:		48	Subtotal:	24
FY17				

1	Judicial Development Project	12	Judicial Development Project. Dropped [4]	
1	Development Policy Operation	24	Development Policy Operation. Dropped [5]	
3	Urban Development Project	12	Urban Development Project - Moved to FY16	
CPS Area		IDA		IDA
3	Social Protection Project	7	Social Protection Project. <a href="#">Dropped[3]</a>	
3	Climate Adaptation and Mitigation project for Aral See Basin*	9	Climate Adaptation and Mitigation project for Aral See Basin*. Dropped [6]	
1			Governance and Competitiveness Programmatic DPO - Approved (07/07/2016) slipped from FY16	24
3			Third Rural Water Supply and Sanitation Project - Approved (09/30/2016)	23.5
2			Integrated Dairy Productivity Improvement Project - Approved (11/29/2016)	5
3			AF Third Rural Water Supply and Sanitation Project (Expected approval date 07/30/2017)	36
<b>Subtotal:</b>		<b>64</b>	<b>Subtotal:</b>	<b>88.5</b>
<b><u>Total FY14-17</u></b>		<b><u>307</u></b>	<b><u>Total FY14-17</u></b>	<b><u>328.5</u></b>

*[1] The Team reconsidered approach in favor of full scale investment project. Additional Financing was dropped, and Third Rural Water Supply and Sanitation Project to be delivered in FY16.*

*[2] Despite the strong interest from the Kyrgyz authorities the project was dropped due to lack of regional cooperation in this area.*

*[3] The Kyrgyz Government requested the Bank to reallocate funds to Integrated Dairy Productivity Improvement Project, in order to improve country's export capacity in light of EEU accession.*

*[4] The Bank management dropped the project due to protracted preparation and lack of ownership of the project by the client in November 2016*

*[5] the DPO was dropped due to the Government's decision to postpone tariff reforms in Energy sector.*

*[6] The Government declined the project due to disagreement about EC-IFAS being an implementing agency*



**ANNEX 4: Planned vs. Actual ASA**

<b>Panned ASA</b>	<b>Actual ASA</b>
<b>FY14</b>	
China-Uzbekistan Railway assessment [continuation]	
Measuring and Reducing Regulatory Uncertainty and Discretion for Female Entrepreneurs in Central Asia	
Heating and Energy Efficiency Assessment [continuation]	
Programmatic Poverty Studies [continuation]	EW Poverty Analysis Program
Programmatic Public Expenditure Review [continuation]	EW Programmatic Public Expenditure Review
Trade – Implications of Customs Union	<i>Delivered in FY16</i>
KR Component of Regional Water Sanitation and Supply Study (SECO co-funding)	
Agribusiness Challenges and Opportunities (joint with IFC)	TA Improving the Agribusiness Investment Environment (Joint with IFC)
KR Component of Regional Climate Change Study	
Energy Governance and Accountability	
Private Sector Development Action Plan [continuation]	
High Level Human Development Review	
	TA Public Sector Reform Roadmap
	TA Mining Sector Business Environment
	TA FIRST KG #9002 Deposit Protect Agency
	TA Information Matters - Transparency & Accountability
	TA Kyrgyz Republic: Mining Sector
	TA Improving Civil Society Engagement in EITI in Kyrgyz Republic
<b>FY2015</b>	
Programmatic Poverty Studies [continuation]	
Integrated management of agriculture, pasture, forest and water assets	EW Communities, Forests and Pastures
Strategy to raise factor productivity and promote diversification	
Urban Planning & Development Study	
Measurement of Informal Sector	
	TA Tariff Setting Methodology
	TA CoA to enhance the PP Audit
	TA MDG5/MDG Acceleration Framework
	TA Health Financing and Public Finance
	TA Kyrgyz PER Dissemination
	KP Social Sectors at A Glance
	KP Kyrgyz Republic Conflict Filter (FY15)

<b>Panned ASA</b>	<b>Actual ASA</b>
	KP Conflict Filter
	<b>FY16</b>
Social protection – targeting and equity	EW Debt Management Reform Plan
	TA KG Public Sector Reform RM and AP
	TA Roadmap for Improving SSN Administration
	EW Custom Union and Competitiveness
	PA Competitiveness and Investment Climate
	TA National PSD Strategy
	TA Business Environment Enhancement
	TA Heating Efficiency Improvement
	TA DeMPA Kyrgyz
	TA Higher Education Sector Overview
	TA Capacity Building for Public Sector Accounting Reform
	<b>FY17</b>
	TA Next Generation Land Administration
	TA Kyrgyz Republic MTDS
	TA Kyrgyz Republic FCP TA
	TA Strengthening Urban Resilience
	TA Small/medium hydropower development with IFC
	AA Kyrgyz Republic Jobs Strategy

**ANNEX 5: Grants and TF's > \$5 million**

<b>Fund</b>	<b>Fund Name</b>	<b>Grant Type</b>	<b>Grant Amount USD</b>	<b>Closing Date</b>
TF010209	ROUND 24: KYRGYZ REPUBLIC - BUILDING DEMAND-SIDE CAPACITY FOR EFFECTIVE LOCAL GOVERNANCE	BEA	117,425.09	03/09/2015
TF010423	Kyrgyz Republic HRITF Impact Evaluation	BEA	1,425,000.00	03/30/2019
TF011675	Kyrgyz Republic: Transparency and Accountability in Local Budgeting - Peer-Assisted Learning and Practice Sharing at the Municipal Level (KG-TABPAL)	BEA	247,822.76	02/28/2014
TF012484	READ-Kyrgyz-Phase II	BEA	260,712.59	10/31/2014
TF012837	Measuring and Reducing Regulatory Uncertainty and Discretion for Female Entrepreneurs in Central Asia	BEA	582,512.88	10/31/2016
TF012896	Preparation and Supervision of the GAFSP-funded project "Agriculture Productivity and Nutrition Improvements" in Kyrgyzstan.	BEA	750,000.00	12/31/2018
TF014030	Round 3 - Kyrgyz Republic - Support to Community Seed Funds Project (Bank Supervision)	BEA	200,000.00	03/07/2018
TF014136	Kyrgyz Global Partnership for Education Preparation	BEA	192,022.50	12/31/2013
TF014857	Power Sector Note	BEA	43,609.93	06/30/2014
TF015050	Central Asia Knowledge Exchange and Capacity Development Program	BEA	47,468.51	06/30/2014
TF015169	Supervision of Kyrgyz State Property Fund Support Grant	BEA	72,890.31	10/31/2016
TF015433	Tariff Setting Methodology	BEA	304,168.09	10/31/2015
TF015471	Building Capacity of Local Experts for Scaling-Up Peer-To-Peer Learning and Knowledge Sharing Approach in Budget Practices at the Local Level (BCLE)	BEA	249,345.36	06/30/2016
TF015497	Kyrgyz HRITF Supervision	BEA	325,840.00	06/30/2018
TF015781	KYRGYZ: ROADMAP FOR IMPROVING SOCIAL SAFETY NET ADMINISTRATION AND SYSTEM BUILDING (RSR GRANT)	BEA	338,844.43	12/12/2015
TF016112	Kyrgyz Financial Sector Development Project- Technical Assistance to NBKR	BEA	2,015,075.00	08/31/2017
TF016147	Supervision of the Grant for Scaling-Up the Peer-to-Peer Learning in Public Finance at the Local Self-Government Level in the Kyrgyz Republic	BEA	156,000.00	11/30/2017
TF016196	KG GPE - Supervision cost	BEA	530,000.00	12/31/2018
TF016203	KYRGYZ REP IMPLEMENTATION OF NSDS - Project Preparation	BEA	39,988.36	12/31/2015
TF016316	Kyrgyz Republic National Water Resources Management Project - Phase 1 - Supervision costs	BEA	469,570.00	12/31/2018
TF016805	Kyrgyz Republic: Understand Disaster Risk to Build Resilience _ GFDRR Track 2 MDTF TA	BEA	1,000,000.00	12/31/2017

<b>Fund</b>	<b>Fund Name</b>	<b>Grant Type</b>	<b>Grant Amount USD</b>	<b>Closing Date</b>
TF017104	Building procurement capacity to achieve development effectiveness in Kyrgyz Republic	BEA	249,917.80	06/30/2017
TF018148	Strengthening the Chamber of Account of Kyrgyz Republic	BEA	67,546.93	10/30/2016
TF018244	Efficiency Improvements of the District Heating System in the Kyrgyz Republic	BEA	113,539.14	06/30/2016
TF018480	Kyrgyz Republic: Heating Efficiency Improvement	BEA	260,000.00	08/31/2017
TF018957	Kyrgyz Republic Financial Consumer Protection Technical Assistance	BEA	150,000.00	06/30/2017
TF019353	Kyrgyz Republic- Strengthening Urban Resilience to Disasters in Kyrgyz Republic	BEA	597,900.00	12/30/2016
TF019419	KYRGYZ REPUBLIC: Capacity Building Support to the New Energy Regulator of the Kyrgyz Republic	BEA	381,495.00	06/30/2017
TF054664	EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE - CHILD TF	BEA	13,981,335.53	02/28/2016
TF090446	BANK EX. SUPPORT FOR EITI IN COUNTRY IMPLEMENTATION	BEA	13,212,465.73	06/30/2016
TF097853	Kyrgyz Capacity Building PFM TF Supervision of Recipient Activities	BEA	223,311.98	11/30/2015
TF098284	Kyrgyz Republic Food Security Project	BEA	514,910.18	09/30/2015
TF098542	TF071472-Kyrgyz Re. DFID TA-CO TF for RWSSP-2 - Bank Executed	BEA	116,923.72	12/31/2014
TF099787	(BETF) Kyrgyz Republic Disaster Risk management (GFDRR: Track II TA Core)	BEA	113,269.33	05/28/2015
TF0A0078	Kyrgyz Republic: Urban Development Project	BEA	247,350.23	10/30/2016
TF0A0717	Kyrgyz Republic - Integrated Forest Ecosystem Management	BEA	308,316.00	09/30/2021
TF0A0916	Moving Towards Green Urban Development of Kyrgyz Cities	BEA	300,000.00	06/30/2018
TF0A1453	Kyrgyz Republic: Capacity Building for Public Sector Accounting Reform	BEA	136,811.39	06/30/2016
TF0A1596	KYRGYZ REP IMPLEMENTATION OF NSDS - Project Supervision	BEA	160,000.00	06/30/2018
TF0A1736	Improving Enabling Environment for Small Hydropower in Kyrgyzstan	BEA	95,670.67	12/31/2016
TF0A1775	Exploring Gender Norms in Kyrgyz Republic	BEA	80,000.00	09/30/2017
TF0A1830	Kyrgyzstan Improving Efficiency of Individual Heating Solutions	BEA	317,031.20	06/30/2018
TF0A1978	Kyrgyz Republic Safe Schools Program BE	BEA	98,000.00	06/30/2018
TF0A2329	ADVANCEMENT OF PFM REFORMS IN KYRGYZ REPUBLIC	BEA	200,000.00	01/31/2018
TF0A3154	BETF - Kyrgyz Audit and Financial Reporting Enhancement Project KAREP	BEA	100,000.00	03/31/2020
TF0A3156	Kyrgyz Universal Health Coverage (UHC) PHRD TA	BEA	470,000.00	06/30/2018
TF0A3915	CBPFM 2 BETF	BEA	443,000.00	08/31/2020

<b>Fund</b>	<b>Fund Name</b>	<b>Grant Type</b>	<b>Grant Amount USD</b>	<b>Closing Date</b>
TF0A3919	Kyrgyz Republic MDB Budget for PPCR Phase I Country Programming	BEA	81,000.00	05/31/2018
TF0A4374	Sustaining and Extending Health Gains in Kyrgyz	BEA	180,000.00	09/30/2018
TF0A4426	Energy Efficiency in Public Buildings in Kyrgyzstan	BEA	80,000.00	01/31/2018
TF0A4444	Strengthening Disaster Risk Management in Kyrgyz Republic	BEA	1,800,000.00	08/31/2019
TF0A4517	Energy Sector Reforms in Kyrgyz Republic	BEA	240,000.00	09/30/2018
TF0A4527	Harnessing Innovation for Financial Inclusion in Kyrgyz Republic	BEA	350,000.00	11/30/2019
TF0A4532	Education Sector Plan Development Grants (ESPDG)	BEA	400,000.00	02/28/2018
TF0A4785	Strengthening Student Assessment for Improved Learning (SAIL) Kyrgyz Republic	BEA	616,000.00	06/30/2019
TF016444	MTDS	BEU	2,300,000.00	12/31/2018
TF016455	DeMPA	BEU	1,900,000.00	12/31/2018
TF017000	Reform Plan	BEU	950,000.00	12/31/2018
TF093895	MTDS	BEU	2,718,144.47	05/31/2014
TF013105	Rural Water Supply and Sanitation Project 2	REB	1,383,799.57	10/31/2014
TF015135	Kyrgyz Second Health and Social Protection Project – Swiss TF	REB	11,963,500.00	12/31/2018
TF015210	Preparation Grant for Electricity Supply Accountability and Reliability Improvement Project	REB	316,866.67	11/30/2015
TF016850	Preparation Grant for Pasture and Livestock Management Improvement Project	REB	0.00	08/20/2015
TF018709	ECAPDEV	REB	411,184.98	11/30/2015
TF019293	Urban Development Project Preparation Grant	REB	479,702.70	12/29/2016
TF056324	PHRD-KYRGYZ REPUBLIC: WATER MANAGEMENT IMPROVEMENT PROJECT	REB	4,329,760.33	11/30/2013
TF0A0838	Kyrgyz Republic Judicial Development Project	REB	490,750.00	07/25/2017
TF0A1605	Third Rural Water Supply and Sanitation Project Preparation Grant	REB	249,825.05	12/28/2016
TF0A1821	Investment Support to Kyrgyz Dairy Sector Development Program	REB	525,500.00	02/13/2018
TF0A1993	Kyrgyz Republic Safe Schools Program RE	REB	207,000.00	12/31/2017
TF0A3993	Preparation Grant for Heat Supply Improvement Project	REB	399,540.00	12/31/2017
TF012781	Capacity Building for Public Sector Internal Audit IDF	REO	491,000.00	03/28/2017
TF013657	Private Sector Development Capacity Building IDF Project	REO	290,566.57	09/04/2016
TF016497	Public Procurement Capacity Building	REO	500,000.00	02/19/2018
TF095989	IDF - Introduction of Quality Management Systems in the Roads Sector Project	REO	452,771.00	08/18/2013
TF0A0750	Kyrgyz Republic - Integrated Forest Ecosystem Management	REO	4,109,589.00	09/30/2021

<b>Fund</b>	<b>Fund Name</b>	<b>Grant Type</b>	<b>Grant Amount USD</b>	<b>Closing Date</b>
TF010208	KYRGYZ REPUBLIC - BUILDING DEMAND-SIDE CAPACITY FOR EFFECTIVE LOCAL GOVERNANCE	REP	1,613,163.59	03/09/2015
TF012550	READ-Kyrgyz Republic Phase II-RE	REP	1,423,295.04	08/31/2014
TF012759	NAP Alignment & Reporting - Kyrgyz Republic	REP	142,495.19	10/31/2014
TF013310	Kyrgyz Republic HRBF Pilot Project	REP	11,000,000.00	12/31/2018
TF013478	Improving Management of State Assets in the Kyrgyz Republic	REP	684,000.00	10/31/2016
TF014029	Round 3 - Kyrgyz Republic - Support to Community Seed Funds Project	REP	2,800,000.00	03/07/2018
TF015803	KYRGYZ REPUBLIC: SOCIAL COHESION THROUGH COMMUNITY-BASED DEVELOPMENT PROJECT	REP	2,000,000.00	12/31/2017
TF015846	Voice of Village Health Committees and social accountability of local self-government bodies on health determinants of rural communities of Kyrgyzstan	REP	598,833.00	01/31/2018
TF016021	Scaling-Up the Peer-to-Peer Learning in Public Finance at the Local Self-Government Level in the Kyrgyz Republic - SUPPL	REP	1,099,441.00	01/31/2018
TF016201	Kyrgyz Early Education Project (KEEP) Financed from GPE-FIF Fund	REP	8,000,000.00	06/30/2018
TF016209	Kyrgyz Early Education Project (KEEP) Financed by EFAFTI Catalytic Fund	REP	4,700,000.00	10/31/2015
TF016315	Kyrgyz Republic National Water Resources Management Project - Phase 1 - Investment Project Financing	REP	7,750,000.00	06/30/2018
TF017411	Kyrgyz Republic: EITI PC-2	REP	243,781.31	12/31/2015
TF017862	The Kyrgyz Republic: Implementation of the National Strategy for Development of Statistics (KGSTAT)	REP	2,500,000.00	06/30/2018
TF017895	Strengthening the Chamber of Account of Kyrgyz Republic	REP	630,000.00	11/30/2016
TF018720	Building Capacity for Effective Local Governance Project	REP	1,400,000.00	12/31/2016
TF095472	Capacity Building in Public Financial Management	REP	7,491,433.00	05/31/2015
TF099788	Disaster Risk Management Track II Project	REP	1,450,000.00	05/28/2015
TF099792	Preparation of Health Results Based Financing Project	REP	363,966.57	09/30/2014
TF099880	Agricultural Productivity Assistance Project	REP	6,607,667.26	07/31/2015
TF099968	Kyrgyz Republic Post-Compliance I: Support to EITI Implementation	REP	198,553.04	12/31/2013
TF0A0645	ECA - Kyrgyz Republic Agriculture Productivity and Nutrition Improvement Project	REP	38,000,000.00	06/30/2022
TF0A1806	Audit of Debra	REP	336,300.00	06/30/2017
TF0A3153	Kyrgyz Audit and Financial Reporting Enhancement Project	REP	1,235,000.00	03/30/2020

Completion and Learning Review (CLR)

<b>Fund</b>	<b>Fund Name</b>	<b>Grant Type</b>	<b>Grant Amount USD</b>	<b>Closing Date</b>
TF0A3998	CBPFM 2 RETF	REP	2,057,000.00	08/31/2020
TF0A5035	Engaging Communities for Better Schools in the Kyrgyz Republic - RETF	REP	2,730,000.00	09/30/2020
TF0A5660	Implementing Open Data Action Plan for the Kyrgyz Republic	REP	450,000.00	09/10/2019

**ANNEX 6: IFC Advisory delivered and IFC Portfolio**

	CPS Areas		
	1	2	3
<b>IFC Advisory</b>			
Improving Corporate Governance in Central Asia	√	√	
Improving Investment Climate in the Kyrgyz Republic	√	√	
Azerbaijan and Central Asia Financial Markets Infrastructure	√	√	
Azerbaijan and Central Asia Micro and Responsible Finance Project		√	
Central Asia Agri-finance Project		√	
Kyrgyz Republic Housing and Microfinance		√	
Public Private Partnership Transaction Advisory	√	√	
Agribusiness Standards Advisory Program in Europe and Central Asia		√	
Europe and Central Asia Resource Efficiency Program		√	
Europe and Central Asia Sustainable Energy Finance Program		√	
Central Asia Trade Logistics Facilitation Project		√	
Electronic and Digital Financial Services	√	√	

<b>IFC Committed and Outstanding Portfolio as of January 31, 2018</b>			
		Committed	Outstanding Balance
Financial Industry Group	SEF KICB	4,957,140	4,957,140
	Bai Tushum Bank	655,374	335,374
	<b>TOTAL</b>	5,612,514	5,292,514



## Selected Indicators\* of Bank Portfolio Performance and Management

As of Date 09/17/2018

Indicator	FY16	FY17	FY18	FY19
<b>Portfolio Assessment</b>				
Number of Projects Under Implementation <sup>a</sup>	10.0	12.0	15.0	15.0
Average Implementation Period (years) <sup>b</sup>	2.7	2.4	2.7	2.9
Percent of Problem Projects by Number <sup>a, c</sup>	30.0	16.7	13.3	13.3
Percent of Problem Projects by Amount <sup>a, c</sup>	37.0	16.1	4.5	4.5
Percent of Projects at Risk by Number <sup>a, d</sup>	30.0	25.0	13.3	13.3
Percent of Projects at Risk by Amount <sup>a, d</sup>	37.0	21.8	4.5	4.5
Disbursement Ratio (%) <sup>e</sup>	14.5	18.3	22.1	2.4
<b>Portfolio Management</b>				
CPPR during the year (yes/no)				
Supervision Resources (total US\$)				
Average Supervision (US\$/project)				

Memorandum Item	Since FY80	Last Five FYs
Proj Eval by IEG by Number	53	10
Proj Eval by IEG by Amt (US\$ millions)	1,085.3	236.5
% of IEG Projects Rated U or HU by Number	24.5	20.0
% of IEG Projects Rated U or HU by Amt	17.6	18.9

a. As shown in the Annual Report on Portfolio Performance (except for current FY).

b. Average age of projects in the Bank's country portfolio.

c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).

d. As defined under the Portfolio Improvement Program.

e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.

\* All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.

**Operations Portfolio (IBRD/IDA and Grants)***As of 08/31/2018*

Closed Projects	61
<hr/>	
<u>IBRD/IDA*</u>	
Total Disbursed (Active)	77.86
of which has been repaid(1)	0.00
Total Disbursed (Closed)	684.53
of which has been repaid	200.67
Total Disbursed (Active + Closed)	762.39
of which has been repaid	200.67
Total Undisbursed (Active)	238.15
Total Undisbursed (Closed)	
Total Undisbursed (Active + Closed)	238.1461533

# Active Projects

Last PSR										Expected and Actual	
Project ID	Project Name	Supervision Rating		Fiscal Year	Original Amount in US\$ Millions				Disbursements <sup>a</sup>		
		Development Objectiv	Implementation Progress		IBRD	IDA	Grants	Cancel.	Undisb.	Orig.	Frm Rev'd
P163592	CASA1000 CSP - Kyrgyz Republic	S	S	2018	0.0	10.0		0.0	10.1	0.4	0.0
P160230	Digital CASA - Kyrgyz Rep.	S	S	2018	0.0	50.0		0.0	48.6	0.8	0.0
P133446	Electricity Supply Accountability	MS	MS	2015	0.0	25.0		0.0	5.0	0.3	0.5
P162635	Enhancing Resilience in Kyrgyzstan	S	S	2018	0.0	20.0		0.0	19.5	0.1	0.0
P126278	HEALTH & SP 2	S	MS	2013	0.0	16.5		0.0	1.4	2.7	2.7
P157079	Heat Supply Improvement Project	S	S	2018	0.0	46.0		0.0	47.5	0.7	0.0
P155412	Integrated Dairy Productivity Improveme	MU	MU	2017	0.0	5.0		0.0	5.1	0.7	0.0
P151102	Integrated Forest Ecosystem Managem	MS	MS	2016	0.0	12.0		0.0	11.5	9.5	1.0
P153721	Integrated Forest Ecosystem Managem	MS	MS	2016	0.0	0.0	4.1	0.0	3.8	0.0	0.7
P125689	KG Financial Sector Development Proje	MU	MU	2012	0.0	13.0		4.1	5.2	9.9	1.1
P145162	Pasture Management Improvement Prc	MS	MS	2015	0.0	15.0		0.0	7.6	8.7	0.0
P113350	Sector Support for Education Reform	S	S	2013	0.0	16.5		0.0	2.4	2.8	3.5
P154778	SRWSSDP	S	S	2017	0.0	59.5		0.0	52.8	2.3	-2.6
P146970	Third Village Investment Project	MS	MS	2015	0.0	12.0		0.0	7.9	0.0	0.0
P151416	Urban Development Project	S	MS	2016	0.0	12.0		0.0	9.7	-0.1	0.0
Overall Result					0.0	312.5	4.1	4.1	238.1	38.7	6.9

\* Disbursement data is updated at the end of the first week of the month.

a. Intended disbursements to date minus actual disbursements to date as projected at appraisal.

**ANNEX 7****Statement of IFC's Committed and Outstanding Portfolio**

Amounts in US Dollar Millions

Accounting Date as of: 08/31/2018

Region: Europe and Central Asia

Country: Kyrgyz Republic

**IFC Committed and Outstanding Portfolio as of August 31, 2018**

		Committed	Outstanding Balance
FIG	26103-KICB Rights Issue	211,765	211,765
	30553-KICB RI 2	900,000	900,000
	9837-SEF KICB	988,235	988,235
CTT	39831-Highland PE Mezz	8,000,000	0
<b>TOTAL</b>	<b>Kyrgyz Republic</b>	<b>10,100,000</b>	<b>2,100,000</b>

## Citizen Engagement Country Roadmap – Kyrgyz Republic

