

Asian Development Bank & Kyrgyz Republic

FACT SHEET

Table 1. **Kyrgyz Republic: Development Indicators**

Non-MDG	
Population in millions	5.37 (2009)
Annual population growth rate (%)	1.4 (2007–2009)
Adult literacy rate (%)	99.3 (2007)
Percent of population in urban areas	36.3 (2008)
MDG	
Percent of population living on less than \$1.25 a day	3.4 (2007)
Percent of population living below the national poverty line	39.9 (2006)
Under-5 mortality rate per 1,000 live births	38 (2008)
Percent of population using an improved drinking water source	89 (2006)

MDG = Millennium Development Goal.

Sources: ADB. 2010. *Basic Statistics 2010*. Manila.
UNESCO. 2010. Institute for Statistics Data Centre.
World Bank. 2010. World Development Indicators Online.

As a small open economy, the Kyrgyz Republic has been hit hard by the financial and economic crisis, following significant negative impact from the world food and energy crisis earlier. In particular, the significant slowdown of the economies of the Russian Federation and Kazakhstan has put considerable pressure on the Kyrgyz Republic's economy through trade, investment, remittances, as well as through financial channels. As a result, real gross domestic product growth slowed to 2.3% in 2009, as compared to 7.6% for 2008.

While much has been achieved since the country's independence in 1991, less-than-stellar economic growth is a major constraint to development (growth averaged 4.1% for 2000–2005 and much lower prior to this). The current government has announced long-term economic growth and development as the country's key objective. This also anchors the Country Development Strategy 2009–2011. President Bakiev reiterated this objective recently amid present economic difficulties. ADB strongly supports this development agenda, as inclusive economic growth is essential to building up the country's resilience to shocks to the economy, both external and internal, as well as to bettering the lives of the Kyrgyz people.

To achieve sustainable economic growth, the government will need to continue following prudent macroeconomic policies and advance structural reforms, which would create favorable conditions for private sector-led growth. In October 2009, the government embarked on administrative and government sector reform to make the decision-making process of the public sector more efficient and effective. In addition, the government is in the process of revising its long-term development strategy, with key focus on improving the investment climate and the environment for doing business.

The country has made good progress in improving the business environment, which led to a rise in the country's ranking in the World Bank Group's Doing Business Survey from 68 in 2009 to 41 in 2010. Significant progress has been made in the area of starting a business and dealing with construction permits. Moreover, the Kyrgyz Republic improved investor perceptions by amending its law to allow minority investors to take legal actions as shareholders. A one-stop shop has been established to ease business registration. The pledge law and the Civil Code have been amended to allow for extrajudicial enforcement of creditor rights. A legal basis for agricultural land mortgages was completed in 2009. Under the new law, agricultural land can be used as loan collateral.

The government continues its work to reduce hindrances to open trade. It introduced changes in legislation aimed at streamlining import–export procedures. As a result, the country has been ranked 91st in the World Bank's 2010 Logistic Performance Index, which is a jump from 103rd place in 2007. A new Tax Code became operational from 1 January 2009, with number of taxes reduced from 16 to 8. Under the new Tax Code, the average value-added tax (VAT) was reduced from 20% to 12%. To offset revenue losses from VAT reduction, the authorities introduced new taxes on owners of automobiles and property. Overall, many of these changes were welcomed by large businesses. The authorities have also introduced a new “tax contract” scheme under which businesses pay a fixed amount indicated in the contract and are not subjected to further tax inspections. Among other achievements is the launch of an online facility for filing financial documents.

In the financial sector, to support the development of trust in the banking system, the government introduced a deposit insurance scheme that requires mandatory participation of all banks and covers deposits up to Som 100,000 (\$2,320). Overall, the banking system has shown resilience to shocks with no bank going bankrupt in 2009. In the energy sector, heating and electricity tariffs were increased twice from 1 January 2010. This would help bring the sector to cost recovery levels and attract private investment.

Relationship with ADB

The Kyrgyz Republic joined the Asian Development Bank (ADB) in 1994.

Output in the Kyrgyz Republic declined severely after 1991, when the country gained its independence. Therefore, ADB's assistance in the initial years of the partnership focused on fostering economic growth. Its first operational strategy in the Kyrgyz Republic, prepared in 1996, supported government reforms; encouraged growth led by the private sector; and stimulated investment in infrastructure, human resources, and the environment. It provided support for agriculture, basic public services, human resource development (especially education), energy, and roads.

Table 2. **Kyrgyz Republic: Economic Indicators, 2005–2009**

Economic Indicator	2005	2006	2007	2008	2009
Per capita GNI, Atlas method (\$)	450	500	610	740	...
GDP growth (% change per year)	-0.2	3.1	8.5	8.4	2.3
CPI (% change per year)	4.4	5.6	10.2	24.5	6.9
Unemployment rate (%)	8.1	8.3	8.2	8.2	...
Fiscal balance (% of GDP)	-3.4	-2.5	-0.8	0.6	-1.8
Export growth (% change per year)	-6.3	31.9	47.7	38.1	-11.3
Import growth (% change per year)	22.3	62.1	45.8	43.6	-24.3
Current account balance (% of GDP)	-1.6	-10.1	-6.0	-11.7	-10.0
External debt (% of GNI)	84.4	79.5	64.7	54.0	...

... = data not available, CPI = consumer price index, GDP = gross domestic product, GNI = gross national income.

Sources: ADB. 2010. *Asian Development Outlook 2010*. Manila.

ADB staff estimates.

World Bank. 2010. World Development Indicators Online.

Table 3. **Kyrgyz Republic: Cumulative ADB Lending as of 31 December 2009**

Sector	Loans (no.)	Amount (\$ million)	% ^a
Agriculture and Natural Resources	3	91.00	14.04
Education	2	32.70	5.05
Energy	1	30.00	4.63
Finance	4	64.00	9.88
Health and Social Protection	1	10.50	1.62
Industry and Trade	2	22.50	3.47
Public Sector Management	3	79.00	12.19
Transport and ICT	6	205.80	31.76
Water Supply and Other Municipal Infrastructure and Services	1	16.50	2.55
Multisector	5	96.00	14.81
Total	28	648.00	100.00

– = nil, ICT = information and communication technology.

^a Total may not add up because of rounding.

The scope of ADB's areas of support widened, as both the Government of the Kyrgyz Republic and ADB now place a high priority on poverty reduction, with a strong current and planned operational focus on inclusive growth. For instance, assistance to the finance sector is now included as well.

The establishment of the ADB Resident Mission in the Kyrgyz Republic, in April 2000, significantly enhanced ADB's capacity for policy dialogue, programming, and project implementation.

ADB country partnership strategy for the Kyrgyz Republic is presented in the joint country support strategy (JCSS) for 2007–2010 approved in October 2007 (www.adb.org/Documents/CSPs/KGZ/default.asp). The JCSS was prepared in cooperation with four development partners: the Swiss Cooperation, the United Kingdom's Department for International Development, the United Nations agencies, and the World Bank Group. Three other development partners—the European Commission, the Government of Germany and the International Monetary Fund—later joined the JCSS.

The Country Operations Business Plan for 2009–2011 was approved in January 2009. ADB's present and future program is tailored to promote sustainable economic growth led by the private sector. The three supporting pillars are (i) helping to create an enabling environment for private sector investment and doing business; (ii) improving basic public infrastructure for fostering private sector growth and improving quality of life especially in urban growth centers; and (iii) strengthening regional cooperation for further integration within the region and beyond.

In 2009, ADB approved two Asian Development Fund (ADF) grants of \$35.5 million and two ADF loans of \$44.5 million for the two projects: (i) second phase of Central Asia Regional Economic Cooperation (CAREC) Transport Corridor 1 (Bishkek–Torugart), and (ii) Issyk-Kul Sustainable Development Project (ISDP).

Table 4. **Kyrgyz Republic: Project Success Rates**

By Sector	Percentage ^a	No. of Rated Projects/ Programs
Agriculture and Natural Resources	100.0	1
Education	100.0	1
Energy	100.0	1
Finance	50.0	2
Industry and Trade	100.0	1
Multisector	100.0	4
Public Sector Management	66.7	3
Transport and ICT	75.0	4
Total	82.4	17
By Year of Approval		
1990s	83.3	12
2000s	80.0	5

ICT = information and communication technology.

^a Based on aggregate results of project/program completion reports (PCRs), PCR validation reports (PCRVRs), and project/program evaluation reports (PPERs) using PCRVR or PPER ratings in all cases where PCR and PCRVR/PPER ratings are available.

Sources: PCRs, PCRVRs, and PPERs containing a rating circulated as of 31 December 2009.

Table 5. **Kyrgyz Republic: Portfolio Performance Quality Indicators for Sovereign Lending, 2008–2009**

Number of Ongoing Loans (as of 31 Dec 2009)	2008 (\$ million)	2009 (\$ million)
Contract Awards/Commitments	9.6	14.1
Disbursements	27.1	24.0
Loans at Risk (%)	28.6	–

– = nil.

Note: Totals may not add up because of rounding.

Three technical assistance (TA) projects, amounting \$1.25 million, were approved in 2009 for (i) preparation of the ISDP, (ii) growth diagnostic and impact evaluation, and (iii) preparation of the proposed Transmission and Distribution Metering Project.

As of 31 December 2009, the Kyrgyz Republic has received \$648 million in ADF loans, \$167 million in ADF grants, and \$41.7 million in TAs.

Impact of Assistance

Roads play a crucial role for the landlocked Kyrgyz Republic by ensuring cost-effective access to regional and domestic markets, generating employment, and providing services. The transport and information and communication technology sector, as a whole, continues to receive the largest share of ADB assistance. Assistance focused on rehabilitation of the major transport corridors that are critical in regional trade:

(i) Bishkek–Osh road, the country’s major transport corridor and a part of the transnational road network linking Central Asian countries, the People’s Republic of China (PRC), and the Russian Federation; (ii) Almaty–Bishkek road; (iii) Osh–Sarytash–Irkeshitam road, which links the Fergana Valley with the booming markets of the PRC; (iv) Sarytash–Karamyk road, which is a part of the PRC–Kyrgyz Republic–Tajikistan road corridor; and (v) Bishkek–Torugart road, the country’s main trading link with the PRC.

The Kyrgyz Republic has been the top reformer in Central Asia. The government has aggressively pursued economic reforms and encouraged foreign investment with favorable laws on privatization, joint ventures, foreign trade and investment, free economic zones, and concessions to foreign investors. ADB has been one of the major supporters of these initiatives.

It provided three loans to promote capital markets, improve the legal and regulatory environment for the private sector, and build capacity in corporate governance and insolvency procedures.

Table 6. Cumulative Nonsovereign Operations Portfolio Distribution by Top Countries, 1983–2009^{a,b}

Country	No. of Projects	Total ADB Approvals (\$ million)
China, People’s Republic of	24	2,188
India	35	2,129
Indonesia	15	919
Philippines	26	768
Pakistan	24	721
Thailand	10	395
Kazakhstan	4	375
Sri Lanka	12	280
Viet Nam	7	280
Bangladesh	8	242
Afghanistan	6	198
Lao People’s Democratic Republic	1	100
Azerbaijan	4	66
Nepal	4	59
Georgia	1	25
Papua New Guinea	1	25
Other DMCs	12	62
Regional	38	1,895

DMCs = developing member countries.

^a Includes nonsovereign projects processed by the Private Sector Operations Department and various regional operations departments of ADB. Regional operations departments started nonsovereign operations in 2007.

^b Net of facilities cancelled in full before signing.

Source: Private Sector Operations Department.

The Kyrgyz Republic’s drive to achieve more broad-based economic growth is being supported by a new ADB program, the Investment Climate Improvement Program, which focuses on reforms that will reduce entry and exit barriers and compliance costs for businesses and create a clear legal and regulatory framework for public–private partnerships in infrastructure.

ADB is supporting the government’s efforts aimed at poverty reduction. Causes of poverty include lack of access to health, education, safe water, housing, and sanitation services, and an absence of economic opportunities. Thus, ADB-supported programs aimed to encourage the development of market institutions, increase the competitiveness of markets, improve social and environmental protection, and enhance public support. ADB has acted as the lead coordinating agency for education and training and has provided \$69 million in assistance in the social sectors. In addition, ADB has provided assistance in the provision of safe water and sanitation services in rural areas of the country. The recently approved Issyk-Kul Sustainable Development Project will support environmental management and improvement of urban service delivery in the Issyk-Kul Lake area—one of the main tourist attractions in the country.

Portfolio performance is satisfactory, with no projects rated at risk. Following its strong commitment to strengthening effectiveness as enunciated in Strategy 2020, ADB has realigned its operational focus in the Kyrgyz Republic, and has increased its efforts to improve project

Table 7. Kyrgyz Republic: Contractors/Suppliers Involved in ADB Loan Projects, 1 January 2005–31 December 2009

Contractor/Supplier	Sector	Contract Amount (\$ million)
KVT, Ltd.	Multisector	3.79
Dormashkomplekt, Ltd.	Transport ICT	1.99
Kerbenjolkurulush-Aerodromdorstroi-Kyrgyzstalkingonstruksiya Association	Industry and Trade	1.95
Gradient, Ltd.	Multisector	1.80
Stroitel	Multisector	1.51
Dorservice	Agriculture and Natural Resources	1.25
Jumgalsuukurulush	Multisector	1.22
Rodnik Ltd.	Agriculture and Natural Resources	1.21
Chuiskoe USM	Agriculture and Natural Resources	1.14
Machinery Intertrade Ltd.	Transport and ICT	1.12

ICT = information and communication technology.

Table 8. Kyrgyz Republic: Top Consulting Firms Involved in ADB Loan Projects, 1 January 2005–31 December 2009

Consultant	Number of Times Contracted	Contract Amount (\$ million)
OJSS Design Institute Kyrgyzgiprostoi	1	0.29
Marka Audit Bishkek Ltd.	15	0.20
Kyrgyzkommunproject	3	0.18
Musai Ltd.	2	0.17
Central Asian Alliance for Water	1	0.14
Design Institute “Kyrgyzdortransproject”	1	0.12
Kyrgyzpromproject	1	0.10
Tushtuksuudolbooru	2	0.07
Kyrgyzprostoi	1	0.07
R&R Ltd.	3	0.07
Individual Consultant	146	1.38

implementation and overall portfolio management. ADB is also working closely with the government to improve project governance in order to ensure that assistance will reach and benefit its intended beneficiaries.

Future Directions

ADB's Country Operations Business Plan for 2009–2011 is in line with the Country Development Strategy and is broadly in line with the JCSS priorities, with some adjustments in the lending and nonlending program to reflect the impact of the ongoing global financial and economic crises and the government's latest economic policy to address the country's short- and long-term development challenges.

The strategic thrust of the program for 2009–2011 is to support both soft and hard public infrastructure, which will contribute to creating a favorable environment for sustainable growth led by the private sector, thereby generating more jobs and income. Specifically, ADB will continue to support the following:

- (i) Roads and transport to promote inclusive growth and regional cooperation. The focus will continue to be on rehabilitating key road and transport networks that have regional and national strategic importance.
- (ii) Urban infrastructure and services to promote major growth centers. The majority of business and economic activities are concentrated in urban centers, led by the cities of Bishkek and Osh, and the potential center in the Issyk-Kul Lake area.
- (iii) Economic and financial sector reforms to improve the investment climate and business environment.

The selection of ADB interventions is guided by the government's priorities, performance of the portfolio, the institutional framework, and the activities of other development partners in the country.

Operational Challenges

The small open economy of the Kyrgyz Republic faces considerable challenges posed by the ongoing global financial and economic crises. The sharp slowdown of the economies of the Russian Federation and Kazakhstan, in particular, has impacted negatively on the Kyrgyz economy through trade, investment, the financial sector, and lower demand for labor. In the coming years, the economy will remain heavily dependent on the economic developments in the Russian Federation and Kazakhstan. Credit growth in 2010 is expected to remain at a low level owing to difficulties facing Kazakh banks (which own about half of the Kyrgyz banking sector). The significant challenge for the government is minimizing the damage done by the global financial crisis and the economic slowdown, including losses in jobs and income, and the erosion of impressive poverty reduction achieved over the last few

Table 9. **Kyrgyz Republic: Top Consultants (Individual Consultants and Consulting Firms) Involved in ADB Technical Assistance Projects, 1 January 2005–31 December 2009**

Consultant	Number of Times Contracted	Contract Amount (\$ million)
Ram Engineering Associates Ltd.	1	0.25
Institute of Land Use Planning (Kyrgyz)	1	0.08
Individual Consultants	92	0.98

years. This will not be easy given the considerable pressure on public financial resources in a weakened economy.

Supporting sustainable economic growth remains the major challenge facing the country. Realizing this, the government has undertaken major administrative and government sector reforms to make the decision-making process of the public sector more efficient and effective. In addition, the government is currently revising its long-term development strategy, with the key focus to improve the investment climate and the environment for doing business. These are among key measures required to lay a foundation for sustainable inclusive growth driven by the private sector. Such growth is instrumental for strengthening the country's ability to resist external shocks. Complementing these measures, the authorities must design and implement mechanisms to encourage private domestic savings and investment and support the development of other sectors.

ADB, together with other development partners, is working closely with the government to improve the effectiveness of development assistance and implement wide-ranging reforms in various sectors of the national economy to support sustainable economic growth.

Partnership

The Kyrgyz Republic was selected as one of the pilot countries during the February 2003 Rome Conference on Harmonization. Since then, key development partners have learned to better coordinate and harmonize procurement procedures, oversee financial management and monitoring, share project implementation units, and conduct joint country portfolio reviews. The JCSS for the Kyrgyz Republic was one of the best examples of cooperation. The JCSS now involves eight development partners: ADB, the Swiss Cooperation, the United Kingdom's Department for International Development, the United Nations agencies, the World Bank Group, the European Commission, the Government of Germany, and the International Monetary Fund.

Joint Country Portfolio Reviews (JCPRs) have been conducted since 2003. The last 2009 JCPR involved four development partners: ADB, the World Bank, the Islamic Development Bank, and KfW (German Development Bank).

ADB has played a lead role in promoting regional cooperation in Central Asia and its neighbors through the CAREC Program. Since its establishment in 1997, the program has been providing a platform for participating member countries to discuss and resolve regional cooperation issues and gain wider perspectives on the region. As a landlocked country, the Kyrgyz Republic needs to strengthen regional cooperation with neighboring countries to improve its investment climate and business environment, essential for creating productive employment and reducing poverty. The Kyrgyz Republic has been an active partner in CAREC.

Table 10. **ADB Assistance to DMCs, 2008–2009^a**

	2008 (\$ million)	2009 (\$ million)	Change (%)
Lending	10,123.92	13,230.19	30.68
ADF, Sovereign	1,763.56	2,210.31	25.33
OCR, Sovereign	6,838.78	10,577.01	54.66
OCR, Nonsovereign	1,521.58	442.87	(70.89)
Public Sector	300.00	134.30	(55.23)
Private Sector	1,221.58	308.57	(74.74)
Equity Investments	123.08	220.00	78.74
Grants	808.90	1,113.48	37.65
Technical Assistance	273.20	267.20	(2.21)

ADF = Asian Development Fund, DMCs = developing member countries, OCR = ordinary capital resources.

^a Excludes terminated loans, equity investments, technical assistance, and grants.

ADB cooperates extensively with civil society organizations in the Kyrgyz Republic to strengthen the effectiveness, quality, and sustainability of the services it provides. ADB solicited and incorporated the views of a cross-section of civil society organizations on the government's performance in the areas of social development, gender equity, governance, and structural economic policies in the process of preparing the 2009 Country Performance Assessment. ADB's Kyrgyz Republic Resident Mission (KYRM) continues to establish stronger links with local civil society groups by organizing project site tours that demonstrate ADB's development initiatives in the country.

Cofinancing and Procurement

Cofinancing operations enable ADB's financing partners—government or their agencies, multilateral financing institutions, and commercial organizations—to participate in financing ADB projects. The additional funds are provided in the form of grants, official loans, or credit enhancement products.

As of year-end 2009, cumulative direct value-added cofinancing for the Kyrgyz Republic amounted to \$48.7 million for three investment projects and \$3.0 million for six TA projects.

A summary of projects with cofinancing from 1 January 2005 to 31 December 2009 is available at www.adb.org/Documents/Fact_Sheets/KyrgyzRepublic/cofinancing.asp.

From 1 January 1968 to 31 December 2009, contractors and suppliers were involved in 186,281 contracts for ADB loan projects worth \$96.29 billion. During the same period, contractors and suppliers from the Kyrgyz Republic were involved in 887 contracts for ADB loan projects worth \$166.98 million.

From 1 January 1968 to 31 December 2009, consultants were involved in 10,945 contracts for ADB loan projects worth \$4.38 billion. During the same period, consultants from the Kyrgyz Republic were involved in 372 contracts for ADB loan projects worth \$8.64 million.

From 1 January 1968 to 31 December 2009, consultants were involved in 20,087 contracts for ADB TA projects worth \$2.52 billion. During the same period, consultants from the Kyrgyz Republic were involved in 168 contracts for ADB TA worth \$2.11 million.

A summary of procurement contracts awarded to companies and consultants from the Kyrgyz Republic for goods and works, and consulting services can be found at www.adb.org/Documents/Fact_Sheets/KyrgyzRepublic/procurement.asp.

About the Kyrgyz Republic and ADB

ADB Membership

Joined 1994

Shareholding and Voting Power

The Kyrgyz Republic is the 23rd largest shareholder among regional members and the 31st largest overall.

Figures are as of 31 December 2008, before the fifth general capital increase process began. The process is ongoing, and the final figures are expected to be available by 31 December 2010. Current subscription levels are available from the Office of the Secretary.

Shares held	10,582 (0.30%)
Votes	23,814 (0.54%)

Marwanto Harjowiryo is the Executive Director and **CJ (Stan) Vandersyp** is the Alternate Executive Director representing the Kyrgyz Republic on the ADB Board of Directors.

Lan Wu is the ADB Country Director for the Kyrgyz Republic. The Kyrgyz Republic Resident Mission (KYRM) was opened in 2000 and provides the primary operational link between ADB and the government, private sector, and civil-society stakeholders in its activities. KYRM engages in policy dialogue and acts as a knowledge base on development issues in the Kyrgyz Republic.

The Kyrgyz Republic government agency handling ADB affairs is the Ministry of Finance.

About the Asian Development Bank

ADB is a multilateral development bank owned by 67 members, 48 from the region and 19 from other parts of the world. ADB's main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance (TA). In 2009, lending volume was \$13.23 billion (93 projects), with TA at \$267.2 million (313 projects) and grant-financed projects at \$1.11 billion (64 projects). In addition, \$3.16 billion in direct value-added loan cofinancing was generated. Over the last 5 years (2005–2009), ADB's annual lending volume averaged \$9.18 billion, with TA averaging \$245.7 million and grant-financed projects \$855.4 million. As of 31 December 2009, the cumulative totals were \$155.94 billion in loans for 2,206 projects in 41 countries, \$5.19 billion for 315 grant projects, and \$3.81 billion for 6,863 TA projects.

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Useful ADB websites

Asian Development Bank
www.adb.org

Country website

www.adb.org/kyrgyzrepublic

Asian Development Outlook

www.adb.org/Documents/Books/ADO/2010/KGZ.pdf

Annual Report

www.adb.org/Documents/reports/annual_report/2009/