

## Opening Remarks at the Kyrgyz Republic Development Forum

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Your Excellency, President Bakiev, Thank you for this comprehensive presentation.

Distinguished government, donor and civil society representatives,

Your Excellencies, Ladies and Gentlemen,

Unfortunately our Vice President Shigeo Katsu could not be here with us for this important the Development Forum. He very much regrets not being able to participate, however as you may know the resignation of our President Mr. Wolfowitz has brought additional duties to all members of the Bank's senior management and he was asked to represent the Bank at a number of important events in the US and Europe, including discussions on the IDA 15 replenishment. He has asked me to please deliver this speech on his behalf.

Let me, first of all, on behalf of the donors, thank the Government of the Kyrgyz Republic for their efforts in organizing this meeting and for their hospitality.

The Kyrgyz Republic has much to be proud of in terms of its recent economic accomplishments. Growth has accelerated recently. Overall GDP grew in 2006 by 2.7 percent, and GDP in the non-gold sector by 5.1 percent. In the first four months of 2007, the respective growth rates were 9.1 percent (total) and 11.1 percent (non-gold). This growth has been underpinned by prudent macroeconomic management, a stable exchange rate and single-digit inflation. Furthermore, the fiscal performance was the strongest in over a decade, with commendable improvements in public revenue mobilization. Even more importantly, the poverty headcount has fallen from an all time high of 55 percent in 1999 to 43 percent in 2005, and impressively, this

reduction has been broad-based across the country. While we would all agree that poverty is still high, this is nevertheless an important achievement.

But the transition process is far from over. The Kyrgyz Republic today appears to be at a cross-roads, with much achieved but a large unfinished agenda still ahead. This is not the time to slow down on the reform front, but to speed up. And the Country's recently approved Development Strategy is the key strategic document and basis for aligning our priorities and external assistance.

Since the last Development Forum took place nearly 3 years ago the country has gone through a dynamic period of political change and evolution of its democracy and institutions. The events over the past two and a half years demonstrate Kyrgyz is a dynamic and vibrant society where there is a lively debate on development options. This Development Forum provides an opportunity for government to reaffirm to donors its development vision and the role donors can play in supported the realization of sustained growth and improvements in living standards of all Kyrgyz citizens.

### **The Role of the Consultative Group**

Let me now turn to the role of this Development Forum in helping Kyrgyz Republic to address these and other challenges. This meeting is first of all about building a common vision within the Government and with the people of the Kyrgyz Republic. I am particularly pleased that a wide range of Government and non-Government representatives are participating. If the Kyrgyz Republic is to make sustained progress, there has to be as wide a participation as possible in the conversation we are about to have, and in the decision-making to follow. This important issue will be elaborated upon further in the presentation by the United Nations.

There have been notable changes in the aid architecture since the last meeting in 2004:

Aid is becoming more country-driven, with the Poverty Reduction Strategy Papers as the basis for engagement by development partners.

There is a renewed focus within the development community on outcomes and results. MDGS provide a medium-term focus to achieve key development outcomes.

There are new financing sources including non-traditional donors and specific-purpose global funds which are augmenting the funds available through bilateral and multilateral sources of external financing. These also pose some additional challenges in terms of harmonization.

Aid allocation is becoming more performance-based (e.g., CPIA process) and aid is becoming more concessional to reduce the growing debt burden in poorer countries.

Donor harmonization is an important objective and the 2005 Paris Declaration supports more use of country systems, donor coordination and a focus on impact and outcomes.

Against this backdrop the Development Forum will focus on two specific areas of the country's development agenda.

The Development Forum will review progress made on harmonization of donor support. At the last meeting, participants pledged to coordinate their assistance better. In fact the Kyrgyz Republic is one of the first countries where the Paris Declaration principles have been applied. We will examine the progress to date: what is succeeding and what more needs to be done. Specifically we may ask ourselves:

- What mechanisms could be used to move the Paris Agenda forward?
- What areas/sectors could donors consider for further promoting programme based approaches under the current constraints?

One emerging success story is the sector-wide approach in health. Here I would like to acknowledge the leadership of our DFID colleagues in preparing the presentation on aid effectiveness for this session.

The final theme of the Development Forum is the agenda of good governance and anti-corruption. This is a good time to assess both what has been done, but more importantly what needs to be done. I believe we all

agree on why this agenda is so important for sustained growth and for delivery of better basic services to the Kyrgyz people. Some questions we may consider include:

- How can donors further assist the Government to promote substantial progress on these issues?
- What mechanisms could be proposed to assure a coordinated and comprehensive approach in difficult policy areas?

I would like to acknowledge the efforts of the Asian Development Bank in preparing the presentation on good governance and the fight against corruption for this afternoon's session.

**To conclude:**

Mr. President, Honorable Members of the Government of the Kyrgyz Republic, Excellencies, Dear Participants,

Now is the time to focus on moving to action. To move towards a partnership between all the players under the leadership of the Government, with private sector, civil society, multinational and bilateral institutions coming together; and at the regional level, a partnership where hopefully all regional leaders increasingly recognize the benefits of enhanced regional cooperation.

Today's Development Forum is an excellent opportunity for the Government and for the donor community to commit to implement the development agenda in the Kyrgyz Republic in key priority areas of its ambitious Country Development Strategy.

Thank you.