

**WORLD BANK – KYRGYZ REPUBLIC PARTNERSHIP  
PROGRAM SNAPSHOT**



**SEPTEMBER 2011**

## RECENT ECONOMIC AND SECTORAL DEVELOPMENTS

### Growth and Macro-Fiscal Management

The Kyrgyz economy started to recover in 2011. The political and social disturbances of April and June 2010 had a serious impact on economic activity and worsened the country's fiscal situation. Real GDP contracted by 1.4 percent, and additional pressures on government expenditures to address reconciliation and recovery needs increased the fiscal deficit to 6.5 percent of GDP<sup>1</sup>. Growth rebounded in 2011 at a rate of 7 percent during the January-August period (y-o-y) owing to strong industrial output, in particular gold production which accounted for about 30 percent of total growth. Growth in the agriculture and construction sectors has, so far, been relatively meager.

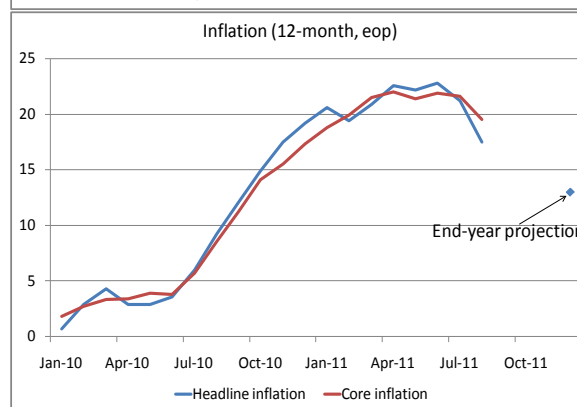
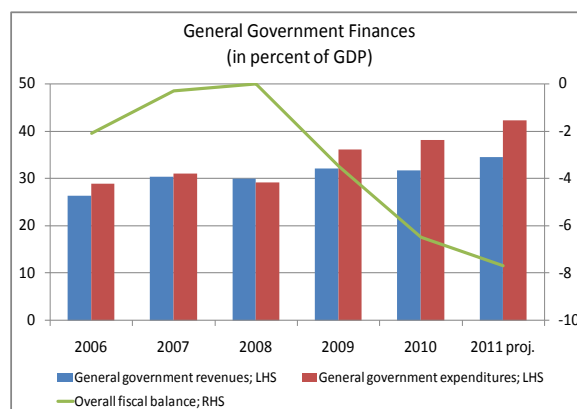
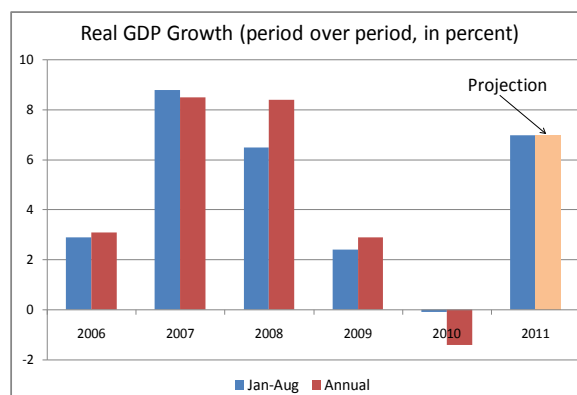
**Inflation has remained high at 17.5 percent as of August (12-month CPI).** However, this was the lowest recorded rate of inflation since the beginning of the year, with rising international food and fuel prices being the main contributors to inflation. The authorities have tightened monetary policy in an attempt to curb inflation and are prepared to take additional measures.

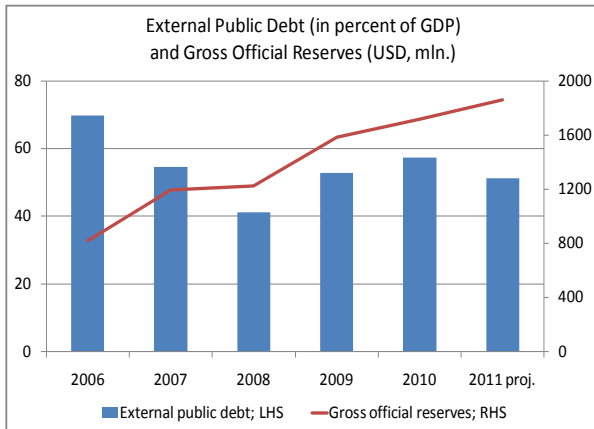
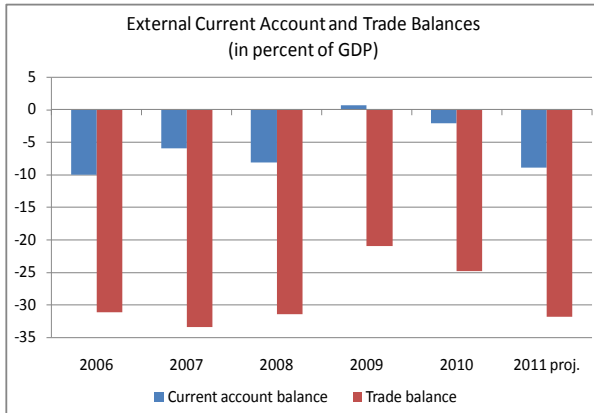
**The Government's macro-fiscal framework is supported by an IMF 3-year Extended Credit Facility (ECF) approved in June.** The program entails a fiscal expansion in 2011, with a fiscal deficit of 7.6 percent of GDP. A relatively sharp expenditure consolidation is foreseen beginning in 2012 with the deficit expected to decline to 4 percent by 2015. The deficit is expected to be financed from a mixture of foreign and domestic sources including privatization.

**The World Bank supports the Kyrgyz Republic's macroeconomic and fiscal**

<sup>1</sup>While this was an increase from 3.5 percent of GDP in 2009, it was significantly lower than the 12 percent estimated earlier by the 2010 Joint Economic Assessment.

performance through the *Emergency Recovery Project of 2010*, the *Economic Recovery Support Operation of 2011* along with the Additional Financing provided through the *Health SWAP*. These operations have been designed to provide financing to the central government budget to fund its critical expenditures, and support its post-2010 crisis recovery program. The *Capacity Building for Economic Management Project* supports the development of capacity within the Kyrgyz Government to develop and coordinate macroeconomic and fiscal policies.





## Economic Governance

**Weak economic governance and a high level of perceived corruption have been seen as key hurdles to development in the Kyrgyz Republic.** The country compares poorly with other countries in the region on accountability, control of corruption, government effectiveness, and regulatory quality according to The World Bank Governance indicators, and is in the lowest quintile of Transparency International's Corruption Perception Index as of 2010 (ranked 164<sup>th</sup> out of 178). Kyrgyz citizens have particularly negative perception of economic governance in the energy and mining sectors, and of public financial management.

**The new government has adopted improved economic governance as an important theme in its overall reform program.** Supervisory Councils which

include members from civil society have been created in sector ministries and agencies to ensure transparency in decision making on conduct of activities and management of fiscal resources. As such, economic governance has also been an overarching focus for the World Bank support to Kyrgyz Republic and at the center of its Interim Strategy Note (ISN), approved by the Board in August 2011.

*The Economic Recovery Support Operation* supports a number of policy measures taken by the new Government to improve governance in the management of privatization, public finances, banking, energy, and social sectors. These were all areas seen as suffering from poor governance during the previous regime. The Public Financial Management Trust Fund, managed by the Bank, supports fiscal governance, particularly the improvement of the budget process. Significant governance progress has also been made with World Bank support in the energy and mining sectors. The Kyrgyz Republic recently achieved the status of “fully compliant” by the Extractive Industries Transparency Initiative (EITI).

## Financial sector



**Unlike the global financial crisis, the April and June 2010 events strongly affected the financial sector, worsening loan quality and significantly increasing deposit withdrawals.** This led to substantial financial instability. While most banks continue to be sufficiently liquid and capitalized, there have

been problems at 7 banks. Access to finance in the country was also impacted. All banks suspended lending in the south, while bank lending in the north was also affected by border closures with Uzbekistan and Kazakhstan. A major private bank, Asia Universal Bank (AUB), was forced to suspend operations, while banks under temporary administration had their operations limited. AUB was nationalized in August 2010 and then restructured into a new bank named Zalkar Bank on December 24, 2010. A spike in missed repayments at microfinance organizations (MFOs) also caused them to reduce lending. The Government and the National Bank of the Kyrgyz Republic (NBKR) have largely isolated the problems in the banking sector, thus preventing contagion; however court cases with current and former shareholders of the four commercial banks under conservatorship have slowed the resolution process in these banks.

## Poverty and Social Protection



**The political events of 2010 and ensuing economic instabilities had a direct negative impact on poverty.** The recent official estimates show that the poverty incidence rate increased by two percent from 31.7 percent in 2009 to 33.7 percent in 2010. Similarly, the extreme poverty rate has risen from 3.1 percent in 2009 to 5.3 percent in 2010, reversing previous gains in reducing poverty

over the previous 6 years. The rise in poverty impacted the rural and urban areas to almost an equal extent. In rural areas poverty rates increased from 37.1 percent to 39.5 percent from 2009 to 2010, whereas in urban areas the poverty levels increased from 21.9 percent to 23.6 percent over the same time period. In terms of regional dynamics, the rise in poverty levels was different for different oblasts. In Issyk-Kul oblast and Bishkek city, the poverty rates have actually declined whereas in all other oblasts the poverty rates increased in 2010 compared to 2009.

**There are mixed prospects for poverty dynamics during 2011 in the Kyrgyz Republic.** On the one hand, the rate of GDP growth is picking up, the wage bill paid from the state budget is rising and worker remittances are likely to continue to grow, all of which create a good base for poverty levels to return to a downward trend. On the other hand, high food and energy prices erode the real income of households. The poverty levels in 2011 will depend on the dynamics of these factors and economic stability in the election year.

**The social safety net system consists of two targeted benefits ('Monthly Social Benefits' and 'Monthly Benefits to Poor Families') and rights based in-kind benefits.** The 'Monthly Benefits to Poor Families' program is a means tested cash allowance aimed at bringing a poor household's income to the level of Guaranteed Minimum Income (GMI). The amount of benefit is very low (ranging between \$2.7-\$3.3 per capita per month in recipient households) as is the coverage of the program (only 8.7 percent of population). The government is committed to safeguarding social protection and supporting the conflict-affected population. The government plans to raise the GMI from its mid-2011 by 19 percent and to raise the MSB targeted to children with special needs.

**The World Bank supports the social protection sectors** via the social protection component of the *Health and Social*

*Protection Project* and plans to support the government's efforts in this field via development policy lending – the *Economic Recovery Support Operation*, which was approved in August 2011.

## Health Development



**From 1995-2010, key health indicators varied but there was no steady trend.** The maternal mortality rate rose from 44 per 1000 in 1995 to 61 per 1000 in 2005, before falling to 55 in 2008. The infant mortality rate also jumped from 21 per 1000 in 1995 to 31 per 1000, and was 28 per 1000 in 2008. Life expectancy has barely changed over this period.

**At the same time, the Kyrgyz Republic's health sector has made important achievements in efficiency and improving access to care despite fiscal constraints.** The health system had to adjust to massive cuts in funding following the break-up of the Soviet Union. The government has embarked on maximizing efficiency through reforms and restructuring, with financing arrangements that are better adapted to the country's current situation. Their focus is on cost-effective basic services paid for through the National Health Insurance Fund. These reforms helped to tangibly improve health system indicators. Despite fiscal pressures, the government has consistently increased public allocation for health from 10.6 percent in 2005 to over 13 percent in 2011 of total government revenues.

**The World Bank supports health services by financing the government's program through the *Health and Social Protection Project*.** Some of the results include:

- The share of patients making informal payments has fallen.
- The use of primary care services went up.
- The share of health spending going to cost-effective Primary Health Care increased.
- Access to pharmaceuticals has improved.

## Education



The Kyrgyz Republic has a literacy rate of nearly 99 percent and a strong history of education.

**The government allocates a solid 20 percent of its expenditure to the sector. The challenge is to turn this spending into results.** A low student to teacher ratio (15-1), small school sizes, uneven deployment and underutilization of teachers and schools contribute to inefficiency and poor results. Teachers have been demoralized as their salaries were previously only 60 percent of the pay scale for civil servants. However, the government increased teacher salaries by up to 100 percent in May 2011.

Both national (National Sample Based Assessment 2007, 2009) and international (Program for International Student Assessment 2006, 2009) assessments of student learning achievements demonstrated dramatically low levels of performance, though nearly all students complete basic education. Analyses of the PISA and NSBA results point to several determinants

pertaining to education quality which contribute to these unsatisfactory results.

**The World Bank supports education through the *Second Year Allocation of the Education for All - Fast Track Initiative (EFA-FTI) Catalytic Trust Fund*.** The project is supporting the expansion of Early Childhood Education through better quality programs and financing improved learning environments for children. 1365 schools in Osh, Jalal-Abad, Talas, and Issyk-Kul oblasts offering the national school preparation program for 5-6 year olds will be furnished with primary classrooms. 3,200 teachers and 57 regional education methodologists countrywide will be trained on delivery of the program, and all necessary learning materials will be provided to targeted schools. The project also carries an important role of raising public awareness on the importance of the school preparation program and promotes policy support as needed.

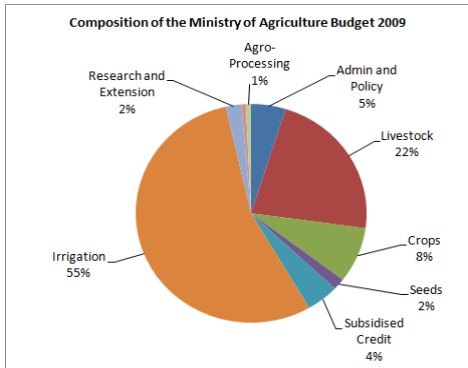
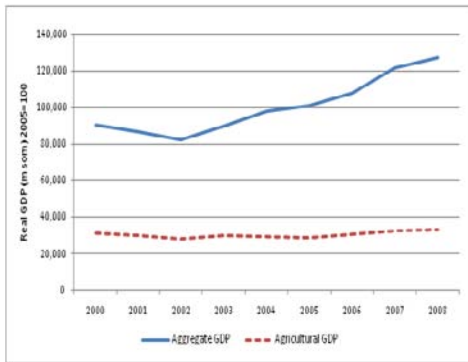
## Agriculture



**The agricultural sector generates about a quarter of the country's GDP and about one third of employment.** Farm incomes are driven by irrigated agriculture (1.3 million hectares) and pasture based livestock production (9 million hectares). The sector expanded rapidly between 1996 and 2002 but growth has stagnated in recent years. Real GDP growth in the agricultural sector in 2005, 2006, 2007 and 2008 was - 4.2, 1.7, 1.5, and

0.7 percent respectively, but rebounded to 7.0 percent in 2009. As a result of the 2010 crisis, agricultural GDP declined by 2.8 percent, mainly due to the abandonment of field work, collapse of trading activity and border closures. However, recent report shows an increase by 1.5 percent in January-August 2011 (y-o-y).

**The Kyrgyz Republic has been advanced leader in land reform in Central Asia.** Land reform was largely completed by 2002. A successful specialized rural financial institution (Aiyl Bank) and independent agribusiness and rural advisory services have been established and a basic legislative framework for the seeds sub-sector has been put in place. The Kyrgyz Republic also delegates management of the sector to local communities. 71 percent of the on-farm irrigation system is managed by water-user associations, which provide an important foundation for the ongoing rehabilitation program, and in 2008 a new law was passed delegating responsibility for management of pastures to communities. Animal health reform has been slow, but in 2009 the government embarked on a substantial program of investment supported by the European Union and the World Bank. The food crisis triggered the development of the Food Security Law 2008 which marked a partial change in the direction of policy. It provided the foundation for stronger government intervention in markets and the establishment of the Agri-Food Corporation (AFC) though in practice, government intervention in markets has been relatively limited.



**The Bank supports the sector through the *On-Farm Irrigation Project II*, the *Water Management Improvement Project*, the *Agricultural Investments and Services Project*, the *Agribusiness and Marketing Project*, and the *Avian Flu Project*. An Agricultural Policy report is currently being prepared. Examples of the projects' results include:**

- The establishment of 449 pasture users' unions
- The creation of 142 community seed funds
- Establishment of 450 Water Users' Associations and rehabilitation of 122,000 ha of irrigation schemes.

## Energy



**The energy sector is one of the largest in the Kyrgyz economy.** It accounts for around 3.9 percent of GDP and 16 percent of industrial production. The bulk (about 90 percent) of the country's current generating capacity is hydropower, developed for the dual purpose of electricity generation and serving as the irrigation water supply for the Kyrgyz Republic and downstream countries. The country's power generating company also provides daily peak reserve capacity and frequency regulation for the Central Asia Regional Power System. The sector has a significant potential for export that is unrealized. Other advantages of the power sector are the relatively low cost of power generation, its reliance on clean sources of energy, and the near universal access to power supply.

**However, the energy sector has experienced difficulties.** Large commercial losses, coupled with governance issues throughout the sector—evidenced by noted significant thefts of power by vested interests, and unrecorded exports under the previous regime—are examples of key problems inherited from the past. All these led to significant deterioration of the energy assets, poor sector performance, and inadequate financial viability. Hydroelectric generation cannot meet peak winter demand, thermal generation plants are ageing, the south of the country depends on transmission lines that run through other countries, and

infrastructure at every level needs more maintenance.

Recently, the Kyrgyz Republic has taken major steps to initiate a process of improved governance and transparency in the sector. Among other things, the government has established a Supervisory Council at the Ministry of Energy (in mid-2010) to raise standards of disclosure and transparency in the sector. Further, it has established special escrow accounts at power generating and transmission companies where all export receipts are to be deposited, and introduced Performance Agreements as a new performance management and accountability tool.

**The World Bank supports the energy sector through two investment projects.** The US\$ 15 million *Energy Emergency Assistance Project* and the US\$ 35 million energy component of the *Emergency Recovery Project* fund essential repairs, rehabilitation and fuel to keep the system running.

As a result of the *Energy Emergency Assistance Project*:

- Additional thermal power output during the winter season 2010/11 increased by 103 GWh, exceeding the targets
- Additional heat output during the winter season 2010/11 reached 300.0 thousand GWh.
- The Bishkek CHP boilers' output available increased by 320 Gcal.

The World Bank has also supported energy sector governance through the *Economic Recovery Support Operation*.

### **Municipal and community services**

**The World Bank has been engaged in the financing of the Urban and Water Sector in the Kyrgyz Republic** since the early 2000s, with the objective of supporting the Kyrgyz government's efforts to improve access to basic services by the general population. The



current project portfolio addresses basic needs for water supply, sanitation and other urban services over the entire spectrum of urban and rural areas of the country.

So far, the World Bank's investments made in the sector have contributed to improved water and urban services in Bishkek, Osh, 23 small towns, and over 200 villages. However, there remains room for improvements in service delivery, and inefficiencies affect infrastructure, equipment and management.

**The World Bank supports municipal and community services** through the *Second Village Investment Project*, the *Small Towns Infrastructure and Capacity Building Project* with additional financing, the *Second Rural Water Supply and Sanitation Project*, and the *Bishkek-Osh Urban Infrastructure Project* with additional financing under preparation, which also will include small towns.

As an example of the projects' impact on the ground, **the *Second Village Investment Project* has:**

- Trained more than 64,000 local government officials and community members in principles of budgeting and planning,
- Helped 1500 villages to improve their social and economic infrastructure.
- Allowed more than 2.7 million people to benefit from about 5,000 microprojects, including drinking water (179,606 beneficiaries), electricity (99,550), primary health facilities (347,733), and schools (636,334).

**The *Small Towns Infrastructure and Capacity Building Project* has:**

- Rehabilitated water supply and sanitation systems in 18 small towns. Sewerage has been repaired in 2 towns.
- Delivered equipment to improve solid waste management capacity to 22 towns.
- Provided small grants for rehabilitation of social and cultural infrastructure to all 23 small towns.

**The *Bishkek and Osh Urban Infrastructure Project* has:**

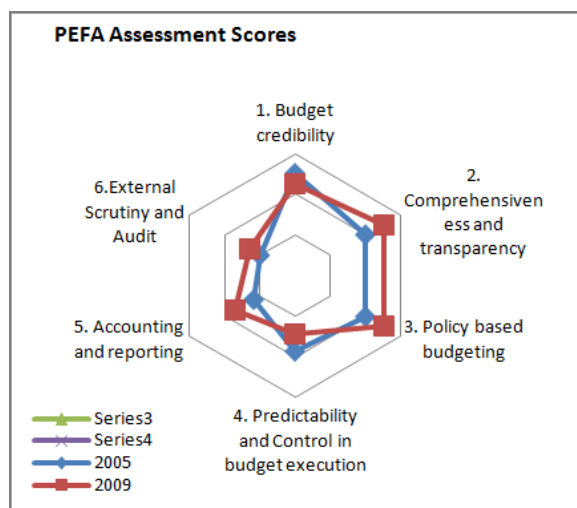
- Rehabilitated 21 km of roads in Bishkek and the water supply system in Osh.

Additional financing is currently being prepared to cover further needs in both main cities as well as in selected small towns, and to scale up the community investment component; to mitigate social tensions caused by poor access to basic services and to social infrastructures; and to contribute to social cohesion.

**Public Financial Management**

The progress of improving Public Financial Management (PFM) systems since 2005 can be traced through Public Expenditure and Financial Accountability (PEFA) assessments. The graph below shows that budget credibility, budget predictability and control over budget execution deteriorated between 2005 and 2009. At the same time, some progress was achieved in budget comprehensiveness, linking budget with policies, accounting and reporting, and external scrutiny and audit.

**The World Bank supports public financial management** through the *Capacity Building for Economic Management Project*, the multi-donor Trust Fund for Public Financial Management, and the *Government Technical Assistance Project*.



The Government Technical Assistance Project has already helped the Kyrgyz Republic:

- to craft legislation to modernize public procurement, though the implementation of this legislation needs to be approved.
- to strengthen the civil service system, with (i) new legislation distinguishing between political appointees and administrative civil servants; (ii) instituting State Secretaries, as the highest administrative position in the Kyrgyz civil service, and (iii) merit based principles in recruitment.

Its next step is to finance computer systems for the Ministry of Finance’s budget, treasury and human resource functions.

**Transport**



The transport sector of the Kyrgyz Republic comprises rail, aviation and roads sub-sectors.

The roads sector, however, is the top priority for the Government given its importance to providing access to international markets and basic public services. Presently, 92 percent of passenger and 59 percent of freight traffic in the Kyrgyz Republic is carried by road. The road network provides connections to remote communities and links to neighboring countries. Travel in most of the country is severely constrained by the predominantly alpine topography where roads have to cross passes 3,000 meters high and are subject to frequent mud slides and avalanches.

The Kyrgyz Republic's transport infrastructure consists of a) about 34,000 km of roads; b) 420 km of railways; and c) three main airports. In the rail and aviation sub-sectors, most of the rolling stock and air fleet are obsolete. The current road network condition is generally poor to very poor (51 percent) or fair (38 percent), with only 11 percent of the network assessed to be in good condition. Roads in 'fair' to 'very poor' condition need immediate rehabilitation in the form of strengthening or reconstruction to prevent further deterioration of the road assets.

**The World Bank supports the sector** through the US\$ 25 million *National Road Rehabilitation (Osh-Batken-Isfana) Project*, which, alongside other donor financed projects, is helping the Ministry of Transport and Communications to rehabilitate 32 km of sections of the Osh-Batken-Isfana road corridor, one of the six strategic corridors of the Kyrgyz Republic. This road corridor is the only connection for about one million inhabitants, connecting Batken oblast with the rest of the country.

Following the social unrest that took place in the country in April and June 2010, a US\$10 million *Additional Financing for the National Road Rehabilitation Project* was approved in September 2010 to support the Government in the repair and rehabilitation in and around Osh and Jalal-Abad cities aiming at the

creation of about 5,000 person-months of temporary jobs.

At the request of the Government, the World Bank Board of Directors approved a Second Additional Financing in the amount of US\$16 million equivalent in June 2011 to rehabilitate an additional section of the Osh-Batken-Isfana Road Corridor (the Nookat Pass) and help the Government to develop and set up a road asset management system.

The Bank is also supporting the Ministry of Transport and Communications through an Institutional Development Fund grant to introduce quality management within the road sector by improving performance and pursuing higher fiduciary standards in the sector.

### **Mining and EITI.**



**Mining constitutes about 11% of budget revenues, about 10% of GDP and 40% of export earnings for the Kyrgyz Republic.** Gold mining is a leading industry sector in the country.

Therefore, the mining sector is highlighted in the Country Development Strategy 2009-2011 as a development priority. The strategy stresses the need to attract new investments in developing and exploiting additional gold mining projects. Adoption of modern investor-friendly legislation, institutional reform, improvement of mineral licensing procedures and attention to social and

environmental concerns are required to meet identified objectives.

As part of reform efforts, the country has been reviewing mining legislation and mineral licensing procedures. Institutional changes have been made by transforming the Ministry of Natural Resources into the Ministry of Industry and Mineral Resources of Kyrgyz Republic. It is hoped that the consolidation of the industry and mineral resources issues in one ministry will allow for more effective development of mineral resources. **The World Bank's assistance** in the minerals sector is implemented through the *Extractive Industries Technical Advisory Facility (EI-TAF) Project*. The EI-TAF Project was launched in December 2010 and has the following objectives:

- To assist and advise the Ministry of Industry and Mineral Resources (MIMR) in reviewing relevant legislation regulating the mining sector;
- To assist and advise MIMR on conducting the tender for the Togolok gold deposit;
- To provide requisite training in structuring mining (namely gold) public offerings (tender/auction) for designated staff;
- To assist MIMR in developing a model, competitive and transparent tender package for future tenders/auctions.

**Extractive Industries Transparency Initiative (EITI).** To address public governance issues in the extractive industry sector, the Kyrgyz Government started implementing the Extractive Industries Transparency Initiative in 2004.

The number of reporting companies gradually increased from 6 in 2004 to 26 in 2008 and in 2011 constituted 46 companies, covering nearly 95% of extractive sector revenues of the country.

The World Bank and DFID provided funding and technical assistance through the EITI Multi-Donor Trust Fund (MDTF) in the amount of US\$265,000 that supported the first

phase of EITI implementation reflected in EITI Work Plan for 2009-2011.

In 2010, the Kyrgyz Republic carried out the validation exercise and the EITI Board awarded the country with full EITI Compliance status on March 1, 2011 during the 5<sup>th</sup> EITI Global Conference in Paris. During the Conference the EITI Chair's Special Prize "For achieving remarkable progress in implementing the EITI in difficult circumstances" was handed over to the President of the Kyrgyz Republic Roza Otunbaeva.

Civil society organizations are actively involved in the EITI process. There are more than 25 NGOs united in the EITI Consortium along with Soros foundation, and others promoting the EITI process among local communities, local authorities and councils in the regions where mining projects are located.

The post-compliance phase focuses on EITI implementation at the sub-national level by deepening the engagement of civil society and fostering the dialogue on extractive industries issues. A World Bank-MDTF grant is under preparation to support the implementation of a second phase of the EITI process in the Kyrgyz Republic until October 2012. The Kyrgyz Republic has been selected as a pilot country for the EITI/MDTF CSO Direct Support Program.

## THE WORLD BANK PROGRAM IN THE KYRGYZ REPUBLIC

Since the Kyrgyz Republic joined the World Bank in 1992, it has received commitments of US\$ 1 billion for 48 IDA-funded<sup>2</sup> projects, out of which US\$ 809.5 million have been disbursed. To date, 28 operations for US\$ 671.5 million have been completed and closed, and 20 projects for US\$ 388.63 million are ongoing. From 1992 until 2000, the Kyrgyz portfolio had a significant focus on budget support. However, since 2001 there was a gradual shift towards investment projects. There have nonetheless been 2 budget support operations since the July 2010 Donors Conference.

The FY11 Program was based on the findings of the Joint Economic Assessment and designed as the Bank's response to the emergency situation which the country faced in 2010. The Bank has allocated US\$ 166 million of IDA resources to the Kyrgyz Republic since July 2010.

The Bank has recently prepared an Interim Strategy Note (ISN) which was discussed by the Board on August 2, 2011. This ISN covers the period of August 2011 to June 2013. The need for an interim strategy approach is underscored by the current fragile political, social and economic situation in the country. The ISN focuses on the country's recovery and stabilization needs, while paving the way for support for long-term development.

*The current portfolio consists of 20 active investment projects totaling US\$ 388.63 million out of which US\$ 174.94 million has been disbursed. The ISN would be followed by a full Country Assistance Strategy, based upon the national development strategy.*

Portfolio quality is high overall, and the disbursement rate is 55 percent, which is much higher than ECA (20.5%) average.

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<sup>2</sup> IDA – International Development Association, an institution of the World Bank Group focusing on low-income countries.

Active IDA Portfolio	
Key Portfolio Characteristics and Performance (as of September, 2011):	
Total commitments to date –	US\$ 1,066 million
Total disbursement to date –	US\$ 817.4 million
Active portfolio commitment to date –	US\$ 388.63 million
Active portfolio disbursement to date –	US\$ 184.4 million
Active portfolio undisbursed balance to date-	US\$ 218.1 million

For the last decade the average disbursement by the Bank on an annual basis was about \$45 million but in FY11 actual disbursement reached \$68.3 million. However, there are four problematic projects in the current portfolio - *Capacity Building and Economic Management, Emergency Recovery, Water Management Improvement (WMIP) and Rural Water Supply and Sanitation (RWSSP)*. This can be explained by the difficult operating environment, which is characterized by the following: (i) no major policy decisions were taken from April 2010 until the new Parliament and the Coalition Government were formed in January 2011, and (ii) Government implementation capacity further deteriorated (April 2010 events led to significant staff turnover in key implementing agencies). In order to mitigate the risks the Bank has allocated sufficient resources to strengthen the supervision of problematic projects in FY12; two projects – WMIP and RWSSP were restructured to ensure satisfactory implementation.

**Trust Funds (TFs):** In addition to the IDA portfolio, the Kyrgyz program includes a significant number of co-financing and stand-alone Trust Funds. Currently the Recipient Executed TFs Portfolio has a total value of \$ 51.340 million out of which \$26.112 million has been disbursed. TFs are mainly provided to co-finance IDA operations and to support capacity building activities. The largest TF donors are EU, Switzerland, UK and Japan.

<b>Projects</b>	<b>IDA, US \$ million</b>
<b>Agriculture and Rural Development – US \$ 80.95 million</b>	
Agribusiness & Marketing Project	8.1
Agricultural Investments and Services Project	13
Second On-farm Irrigation Project	31
Water Management Improvement Project (WMIP)	19
Avian Influenza Control & Human Pandemic Preparedness & Response Project	4
Second Land & Real Estate Registration Project	5.85
<b>Energy and Mining - US \$ 15 million</b>	
Emergency Energy Assistance	15
<b>Environment – US \$ 7.9 million</b>	
Disaster Hazard Mitigation Project	7,9
<b>Economic Policy - US \$ 103 million</b>	
Capacity Building for Economic Management Grant	3
Emergency Recovery Project	70
Economic Recovery Support Operation	30
<b>Financial and Private Sector Development - US \$ 14 million</b>	
Payments & Banking System Modernization Project	9
Reducing Technical Barriers for Entrepreneurship and Trade	5
<b>Health, Nutrition and Population - US \$ 45 million</b>	
Health & Social Protection Project	45
<b>Public Sector Governance - US \$ 7.78 million</b>	
Governance Technical Assistance Project	7.78
<b>Social Development – US \$ 23 million</b>	
Second Village Investment Project	23
<b>Transport – US \$ 51 million</b>	
National Road Rehabilitation (Osh-Isfana) Project	51
<b>Urban Development – US \$ 31 million</b>	
Small Towns Infrastructure & Capacity Building Project	19
Bishkek and Osh Urban Infrastructure Project	12
<b>Water – US \$ 10 million</b>	
Second Rural Water Supply & Sanitation	10
<b>Total (current IDA portfolio)</b>	<b>388,63</b>
<b>Major Trust Funds</b>	
Fast Track Initiative Catalytic Grant Fund -2 (*Education For All - Fast Track Initiative)	6*
Agricultural Productivity Assistance Project (* Russia Food Price Crisis Rapid Response Trust Fund)	6.85*
Capacity Building in Public Financial Management	7.49

**AGRIBUSINESS AND MARKETING PROJECT**  
P049724

**Key Dates:**

**Approved :** December 14, 2004

**Effective:** May 02, 2005

**Closing:** December 31, 2011

**Financing from all co-financiers, million US Dollars:**

<i>Financier</i>	<i>Financing</i>
IDA Credit (40150)	8,1
TF 53554 (PHRD)	4,75
Borrower	0,125
<b>Total Project Cost</b>	<b>12,975</b>

**World Bank Disbursements, million US Dollars \*:**

	<i>Total</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IDA Credit	8,1	5.59	2.99
TF 53554 (PHRD)	4,75	4.13	0.62

**\*Source Client Connection as of September 5, 2011.**

*Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*



**The Project Development Objective** is to increase and enhance the business activities of agribusinesses and contribute to the Kyrgyz Republic's growth. The Project has two main components:

1) The Market Development Component implemented by the ABCC (Agribusiness Competitiveness Center) is designed to streamline commodity supply chains, through interventions in both private and public sectors. The critical factors here are capacity building and establishing a framework for effective interaction among economic agents. 2) The Access to Credit Component implemented by the CLMU (Credit Line Management Unit) is designed to address key constraints associated with access to capital by enterprises in the agricultural and food sector of the economy.

**The Project** works directly with private enterprises and commercial organizations to improve the competitiveness of Kyrgyz products. It also engages policymakers in identifying and addressing the critical policy and regulatory constraints for the development of the agribusiness sector in the country.

**Results achieved:** The project's overall progress is rated Moderately Satisfactory due to delays in the cooperatives support program and completion of the public sector investment program. Notable achievements include:

- 1) The Agribusiness Competitiveness Center (ABCC) continues to provide high quality technical assistance (TA) to the agribusiness sector. 25 companies have graduated from the TA program, while 13 existing clients plus 3 new client companies have requested extension of the TA. Firms' demand for ABCC services is a good indication of true value added.
- 2) The Market Development Service (MDS) continues to successfully facilitate trading and promotion of Kyrgyz agricultural products both domestically and abroad. From 2006 to date the MDS has assisted with 1,561 client contacts and facilitated sales of US\$13.3 million, of which 91 percent to export markets such as Kazakhstan, Russia, Bulgaria, and Turkey.
- 3) Work on development of selected value chains (beans and potatoes) has progressed further. A Value Chain Development Manual has been developed and published, to be used by the VCD practitioners in the country. The ABCC has selected six groups (totaling 87 members) to work on the potato value chain (domestic supply of table potato) and three groups (42 members) on the beans value chain (export of beans to Bulgaria).
- 4) Establishment of the Food Technology Training Center at the Kyrgyz State Technical University (KSTU) is expected to be one of the major contributions of the ABMP. The work is on-going and supported by an international TA provider and ENILIA, similar food technology training center from France.

Under the Credit Line, a total of 81 sub-loans have been financed. Total investments mobilized into the agribusiness sector amount to close to US\$10 million equivalent, including the co-financing by Participating Financial Institutions and beneficiaries. Extensive training program in investment lending in agriculture, structured finance in agriculture and environmental management has been delivered.

**Key Development Partners:** The Government of Japan (co-financing through a PHRD grant).

## AGRICULTURAL INVESTMENTS AND SERVICES PROJECT

P096993, P112186

### Key Dates:

**Approved :** April 29, 2008

Additional Financing (AF) – June 13, 2008

**Effective:** August 22, 2008

**Closing:** June 30, 2013

### Financing from all co-financiers, million US Dollars:

<i>Financier</i>	<i>Financing</i>
IDA Grant	9.0
IDA Grant - AF	4.0
Government of Kyrgyzstan	0.3
Swiss (SDC Swiss francs)	2.6
IFAD	9.0
EU (Euro)	6.7
Local Communities	3.0
<b>Total Project Cost</b>	<b>34.6</b>



### World Bank Disbursements, million US Dollars \*:

	<i>Total</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IDA Grant	9.0	8.08	0.79
IDA Grant - AF	4.0	3.66	0.21

**\*Source Client Connection as of September 5, 2011.**

*Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*

Agriculture is a backbone of the Kyrgyz economy. It provides 39 percent of all employment and remains critical for food security, price stability, and exports.

**The Project Development Objective** is to improve the institutional and infrastructure environment for farmers and herders, with a strong emphasis on the livestock sector. More specifically, the project will increase farmers' productivity, particularly of livestock farmers in the project areas and reduce animal diseases that have a public health impact (e.g., brucellosis).

The **Project** will fund capital investments, strengthen services, deliver know-how, and support sustainable management of pastures. This will enable farmers and herders to improve the productivity, profitability and sustainability of their enterprises and thereby reduce poverty. Through its specific support for a regional program to control brucellosis, the project will also help to improve public health.

### **Results achieved:**

- Under the **Pasture Management Component** an innovative Pasture Law has transferred pasture management from the state to farmers. It has been well accepted by farmers and led them to organize themselves into 449 pasture users unions across the country.
- Awareness building and training campaigns are instilling among the pasture users the sense of "ownership" and responsible use of natural resources. But much work has yet to be done on boundary demarcations, pasture use and pasture development plans, pasture improvement and monitoring activities.
- Under the **Animal Health** subcomponent specific disease control strategies have been developed and a brucellosis control program has been piloted in Naryn oblast. A second year of brucellosis vaccination has been completed and valuable lessons were learned for the country-wide scale up of the National Animal Diseases Control Program.
- Reforms under the **Rural Advisory Services** subcomponent have instituted the concept of demand-driven services. The newly established farmers unions – Koshuuns – acting as buyers of advisory services are making various service providers compete for their contracts. In the long run this will build a competitive and client-oriented advisory services industry.
- The **Food Security Component** helped to establish 142 community seed funds and provided them with high quality seeds and fertilizers. It has mitigated the food security concerns of several thousand families.

**Key Partners:** The Ministry of Agriculture of the Kyrgyz Republic is responsible for project implementation.

**Key Development Partners:** IFAD, SDC and the European Commission contributed to the project financially.

**SECOND ON-FARM IRRIGATION PROJECT**  
**P096409, P126390**

**Key Dates:**

**Approved :** June 19, 2007

**Additional Financing (AF) –** June 28, 2011

**Effective:** October 31, 2007

**Closing:** December 31, 2015

**Financing from all co-financiers, million US Dollars:**

<i>Financier</i>	<i>Financing</i>
IDA Grant	16.0
IDA Grant – AF	15.0
Government of Kyrgyz Republic	4.6
<b>Total Project Cost</b>	<b>35.6</b>

**World Bank Disbursements, million US Dollars \*:**

	<i>Total</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IDA Grant	16.0	11.5	4.45
IDA Grant – AF	15.0		

**\*Source Client Connection as of September 5, 2011.**

*Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*



Irrigation has been practiced in the Kyrgyz Republic for centuries. Since 1991, due to technical, managerial, and financial constraints, deterioration of irrigation and drainage infrastructure has led to unreliable supply and distribution of irrigation water, as well as drainage and water logging problems. With the assistance of the First On-Farm Irrigation Project, 450 Water Users Associations (WUAs) were established and 63 WUAs with the total command area of 122,000 ha benefited from rehabilitation.

There remained a large unfinished agenda: (i) insufficient rehabilitation and modernization investment will lead to continued deterioration of infrastructure, leaving many farmers without access to adequate and timely water resources; (ii) the focus of assistance to WUAs needs to be redirected towards developing skills necessary to sustain their infrastructure and maximize its utilization.

**The Second On-Farm Irrigation Project Development Objective** is to improve irrigation service delivery on a sustainable basis that will contribute to increased agricultural productivity among irrigation farmers.

**The Project** will achieve its objective through (i) assistance to ensure that WUAs are able to efficiently and productively utilize their rehabilitated on-farm irrigation systems on a sustainable basis, with special emphasis on water and asset management aspects; (ii) rehabilitation and modernization of irrigation and drainage infrastructure for around 29 WUAs commanding 51,000 ha.

Building on the success of the OIP-2, the World Bank Board of Directors approved an Additional Financing of US\$ 15 million for this project, starting end of 2011.

**Results achieved:**

- OIP-2 is on schedule to meet its development objective and to complete all rehabilitation works for 30 Water Users Associations (WUAs) covering around 70,000 ha, which is significantly more than the target envisaged at appraisal. As of August 2011, 8 sub projects are complete, 18 are ongoing, 2 are under design, and 2 are under procurement.
- There are now 320 WUAs nation-wide with well informed water users actively interacting with WUA management through their zonal representatives and taking part in the WUAs activities.
- As a result of rehabilitation of systems and capacity building support, 85 WUAs have a collection rate of 90% or higher of the irrigation service fee.
- WUA Support Units were constrained in their work for a while, as a result of Government budget deficits, but since summer 2011 some of their costs can be paid under the project and their performance is getting better again.

**Key Partners:** State Committee of Water Management of the Kyrgyz Republic which is responsible for overall project implementation through its PIU; Ministry of Finance of the Kyrgyz Republic

**WATER MANAGEMENT IMPROVEMENT PROJECT  
P088671**

**Key Dates:**

**Approved :** March 29, 2006

**Effective:** August 18, 2006

**Closing:** December 31, 2012

**Financing from all co-financiers, million US Dollars:**

<i>Financier</i>	<i>Financing</i>
IDA Grant	19
Government of Kyrgyz Republic	4.7
PHRD Grant (Japan)	4.4
<b>Total Project Cost</b>	<b>28.1</b>

**World Bank Disbursements, million US Dollars \*:**

	<i>Total</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IDA Grant	19	10.6	10.1

**\*Source Client Connection as of September 5, 2011.**

*Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*



Irrigation has been practiced in the Kyrgyz Republic for centuries. Since 1991, due to technical, managerial, and financial constraints, deterioration of irrigation and drainage infrastructure has led to unreliable supply and distribution of irrigation water, as well as drainage and water logging problems. Despite all the activities carried out in irrigation and technical and financial support received from various donors, including IDA, there remains a large unfinished agenda: (i) remaining irrigation rehabilitation and modernization needs that are beyond the financial means of the Government; (ii) lack of budget in order for irrigation to remain sustainable; (iii) poor technical and financial performance of the Department of Water Resources (DWR) and the need to reform the DWR towards an efficient and client-oriented bulk water supply and management organization; and (iv) significant overlap of water resource management functions.

**The Project Development Objective (PDO)** is: (i) improve irrigation service delivery and water management for the benefit of a sustainable increase in irrigated agricultural productivity; and (ii) improve national water resource governance for the benefit of water users and the nation as a whole.

The Water Management Improvement Project (WMIP) has the following components: (i) Rehabilitation and modernization of irrigation infrastructure to secure the water supply to around 85,000 ha which serves 40,000 families; (ii) Management of water resources to achieve sustainable and efficient water resources management through implementation of the water code, support to the DWR and support to Water Users Associations (WUAs); (iii) Organization of beneficiaries supporting the formation and development of WUA Federations and the transfer of minor irrigation schemes to WUAs, thereby alleviating some of the pressures on the DWR to operate and maintain these systems.

**Results achieved:**

- The implementation of the project has been slower than planned. Under Component 1, rehabilitation works have been delayed due to the 2010 events in the south, under-resourced contractors and shortcomings in the construction supervision process. The project has been extended by one year until December 31, 2012, in order to finalize all the works. In total 54 WUAs will receive improved and more reliable water supply from the rehabilitated systems, and currently 8 out of 54 WUAs have already benefitted.
- Under Component 2, plans for the management of the Talas and Kugar river basins have been developed. However, the implementation of the Water Code is constrained by changes in the government structures and the fact that the National Water Council has not yet convened to give essential policy guidance on the institutional organization of the water sector.

**Key Partners:**

The Bank team works closely with (i) the State Committee of Water Management and Land Improvement of the Kyrgyz Republic responsible for overall project implementation through its PIU; (ii) Ministry of Finance of the Kyrgyz Republic.

**Key Development Partners** include Government of Japan through the PHRD facility which financially contributed to the implementation of the component related to management of water resources.

## AVIAN INFLUENZA CONTROL AND HUMAN PANDEMIC PREPAREDNESS AND RESPONSE PROJECT

### Key Dates:

**Approved :** February 9, 2006

**Effective:** July 10, 2006

**Closing:** December 30, 2011

### Financing from all co-financiers, million US Dollars:

Financier	Financing
IDA Grant	4.0
Japan (PHRD)	1.0
AHI Facility	0.1
Government of Kyrgyzstan	0.3
<b>Total Project Cost</b>	<b>5.4</b>

### World Bank Disbursements, million US Dollars \*:

	Total	Disbursed	Undisbursed
IDA Grant	4.0	3.46	0.91

\*As of September 5, 2011.

*Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*



The rapid spread of the Human Pathogenic Avian Influenza (HPAI) virus in 2005 and avian influenza outbreaks in neighboring countries put Kyrgyzstan at high risk of being affected. The Kyrgyz Republic, located at the cross-roads of birds' migration routes, was therefore the first country to get the assistance from the newly established global facility for fighting the HPAI. Although initially designed to control AI outbreaks the project aimed at strengthening general disease control, surveillance and containment capacities in the country. The emphasis on general capacity rose as, fortunately, no HPAI cases were registered in the country after four years while other diseases such as brucellosis, anthrax, rabies, TB, etc. are causing significant health problems. Therefore in 2010 the Board approved a restructuring of the project to broaden its focus from HPAI only to other major diseases.

**The revised Project Development Objective** is to assist the Recipient in minimizing the threat in the Kyrgyz Republic posed by the Highly Pathogenic Avian Influenza (HPAI) infection as well as other poultry and livestock diseases and to prepare for the control and response to an influenza pandemic and other zoonotic or infectious disease emergencies in humans.

The **Project** finances activities under five components: (i) animal health, (ii) human health, (iii) public awareness and information, (iv) implementation support, monitoring and evaluation, and (v) emergency imports.

### Results achieved:

- Support to the implementation of the **National Program and National Action Plan** for prevention, containment, control, and eradication of HPAI in the poultry sector and among humans.
- Local Disease Crisis Coordination Committees at the rayon level established and trained to respond to outbreak reports.
- Detailed review of current policies and the existing legal and regulatory environment for a sustainable and modern veterinary service carried out for **Strengthening the National Policy and Regulatory Environment**.
- **Diagnostic Capacity** has been strengthened at the Republican (Central) Veterinary Laboratory (RVL), the regional veterinary laboratories in Osh and in Kochkor: facilities for sample collection and submission, detection, reporting and follow-up of reported AI cases have been renovated; essential equipment, consumables and reagents have been provided, supported with staff training and technical assistance. Similar support was provided to the virology laboratory of the Sanitary and Epidemiology Surveillance Department of the Ministry of Health.
- **The National Animal Disease Information Systems** are being developed.
- **Rapid Response Teams** were established by the Ministry of Health and State Veterinary Department. The project has equipped them with special vehicles, equipment and personal protection devices.

**Key Partners:** Ministry of Agriculture and Ministry of Health.

**Key Development Partners:** Ministry of Finance of Japan (PHRD grant), European Union, OIE, FAO, WHO.

**SECOND LAND AND REAL ESTATE REGISTRATION PROJECT  
P108178**

**Key Dates:**

**Approved:** July 15, 2008

**Effective:** December 24, 2008

**Closing:** 31 May, 2013

**Financing from all co-financiers, million US Dollars:**

<i>Financier</i>	<i>Financing</i>
IDA Credit	5.85
Government of Kyrgyz Republic	1.65
<b>Total Project Cost</b>	<b>7.50</b>

**World Bank Disbursements, million US Dollars \*:**

	<i>Total</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IDA Credit	5.85	2.62	3.07

**\*Source Client Connection as of September 5, 2011.**

**Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.**



A reliable and well-functioning system for registration of rights in immovable property is a key government priority because of its importance for private sector development in both rural and urban areas as well as for public sector management. The first Land and Real Estate Registration Project, which was completed in December 31, 2007, systematically registered over 2.4 million land and real estate objects and established a customer-oriented registry system for the land and real estate market. The government then requested additional support in a second project to expand and deepen these achievements and ensure that the system will be institutionally and financially sustainable.

**The Project Development Objective is** to support markets for land and real estate and the more intensive and effective use of land and real estate. This is being accomplished through the further development of a reliable and well-functioning system for registration of rights in immovable property.

The project supports three areas of investment:

- (a) Organizational development and improved services including, policy development, information technology, agency financial management, records improvement, performance management, organizational restructuring and public relations;
- (b) Expansion of spatial and legal land and real estate data, including registration, upgrading of cadastral mapping, and valuation support;
- (c) Professional Development and Standards including staff training and support for educational and professional bodies.

**Results achieved:**

In spite of 2010's political disruptions, project progress has continued. Policy reforms in early FY10 helped to reduce the average secondary transaction for individuals from 3 days in calendar 2008 to 2 days in calendar 2009 and to 1.5 days in calendar 2010. During calendar year 2010, the number of mortgages grew by 19%, and sales transactions increased by 3.7%. The Kyrgyz Land Information System has started operating. Mass upgrading of the quality of existing cadastral plans by digitizing and GNSS geo-referencing is now underway. Other information technology improvements achieved include improved networking and automated data management, and provision of information on sales price trends. A government directive has been drafted to make digital spatial data accessible to the public, and to recognize the use of the new geodetic reference and coordinate system for official purposes. A proposal has been developed to establish a single agency with consolidated finances. An updated customer survey has been undertaken and analyzed. Public relations initiatives are expanding as a result of project-supported capacity building.

**Key Partners:**

The project operates within the Department of Cadastre and Registration of Rights to Immovable Property, State Registration Service and works with a wide range of national and local government agencies, as well as private real estate professionals and non government legal aid organizations.

**Key Development Partners** which have supported related activities include the Swedish International Development Agency (SIDA), the United States Agency for International Development (USAID), and the Swiss Development Corporation (SDC).

**ENERGY EMERGENCY ASSISTANCE PROJECT  
P101392, P119227**

**Key Dates:**

**Approved :** November 25, 2008

Additional Financing (AF) – November 19, 2009

**Effective:** February 26, 2009

Additional Financing (AF) – August 5, 2010

**Closing:** March 31, 2012

**Financing from all co-financiers, million USD \*:**

<i>Financier</i>	<i>Financing</i>
IDA Grant	5.5
IDA Credit	5.5
IDA Grant – Additional Financing	2.0
IDA Credit – Additional Financing	2.0
<b>Total Project Cost</b>	<b>15.0</b>

**World Bank Disbursements, million US Dollars\*:**

	<i>Total</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IDA Grant	5.5	4.88	0.58
IDA Credit	5.5	4.99	0.2
IDA Grant – AF	2.0	1.8	0.2
IDA Credit – AF	2.0	0.8	1.2

**\*Source Client Connection as of September 5, 2011.**

*Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*



The Kyrgyz Republic depends on hydropower. Hydropower accounts for about 80% of the total installed generation capacity of 3,400 MW. The remainder is Combined Heat and Power (CHP) capacity of about 700 MW (in Bishkek and Osh CHP plants). However, in reality the dependence on hydroelectricity is almost 90% since the operable capacity of the CHPs is down to less than 200 MW.

The Kyrgyz Republic's thermal power stations require fuel supply, mainly imported gas and coal. Summer electricity exports normally pay for gas and coal imports. However, due to the lower water levels in the Naryn reservoir, exports dropped to a quarter of the normal level of 2.5 billion kWh per annum. This meant that the 2008/9 winter fuel supplies were also uncertain. Rapid increases in fuel prices during 2008-9 also caused uncertainty.

**The Project Development Objective** is to urgently increase the volume and reliability of the national energy supply, especially, thermal power in the winter season, thereby supporting the implementation of the Recipient's Energy Emergency Mitigation Action Plan (EEMAP). These objectives were to be realized through: increasing, to the extent possible, thermal power generation and heat supply from existing assets in the shortest possible timeframe and initiating institutional and technical measures to increase the amount and reliability of energy supplied to the population during the winter seasons.

**Results achieved:**

Almost all the activities of both the original Energy Emergency Assistance Project (EEAP) of SDR 7 million (US\$ 11 million equivalent) and its Additional Financing (EEAP AF) of SDR 2.6 million (US\$ 4 million equivalent) have been completed. Only one contract remained to be awarded and three contracts are being implemented. All the remaining activities are expected to be completed by December 2011. As a result, the project has contributed to substantial increase of power and heat outputs at Bishkek and Osh CHPs, by far exceeding the targeted indicators.

In particular:

1. Additional thermal power output during the winter season 2010/11 increased by 103 GWh, exceeding the targets;
2. Additional heat output during the winter season 2010/11 reached 300.0 thousand GWh.
3. The Bishkek CHP boilers' output available in tons/hour (GCal/hour) increased to 320 GCal

The project has therefore immensely helped the people of the Kyrgyz Republic to face winter hardships.

**Key Partners:**

The Bank team worked closely with (i) **the Ministry of Energy of the Kyrgyz Republic**, (ii) **the Joint Stock Company Power Plants** being the responsible agency for the Project.

**DISASTER HAZARD MITIGATION PROJECT**  
**P083235, P112775**

**Key Dates:**

**Approved:** June 15, 2004  
 Additional Financing (AF) approved: June 9, 2011  
**Effective:** September 28, 2004  
**Closing:** March 31, 2012

**Financing from all co-financiers, million US Dollars:**

<i>Financier</i>	<i>Financing</i>
IDA Grant	6.90
IDA Grant - AF	1.0
Government of Kyrgyz Republic	1.91
Global Environment Facility	1.00
PHRD Grant (Japan)	1.95
<b>Total Project Cost</b>	<b>11.76</b>

**World Bank Disbursements, million US Dollars \*:**

	<i>Total</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IDA Grant	6.90	5.06	2.24
IDA Grant - AF	1.00		1.12

**\*Source Client Connection as of September 5, 2011.**

*Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*



The Kyrgyz Republic is a mountainous country where the risks associated with natural disasters (landslides, earthquakes, floods, etc.) are high. With independence in 1991, the country inherited a legacy of environmental damage caused by many years of mining development with little regard to environmental impact. A particularly dangerous location is Mailuu-Suu - a town of about 23,000 people, including about 6,000 in surrounding villages – where there was uranium mining from 1946 until 1968. Mailuu-Suu is near the Uzbekistan border, upstream of the densely populated and highly productive Ferghana Valley with over 6 million people in three countries, as well as major rice and cotton irrigation areas. These uranium mining operations in the Mailuu-Suu River Valley have created significant manmade hazards, including abandoned uranium tailings (23) and waste rock dumps (13) in an area where natural hazards are also high.

Slow release of radionuclides and other hazardous wastes like heavy metals and arsenic occurs to the ground- and surface-waters of the Mailuu-Suu area, due to continued drainage and seepage from tailings and waste rock dumps. Some of the tailing dams appeared to be unstable and the area is prone to floods, landslides and earthquakes.

**The Project Development Objectives are** to: (a) minimize the exposure of humans, livestock, and riverine flora and fauna to radionuclides associated with abandoned uranium mine tailings and waste rock dumps in the Mailuu-Suu area; (b) improve the effectiveness of emergency management and response by national and sub-national authorities and local communities to disaster situations; and (c) reduce the loss of life and property caused by hazardous landslides.

**The Project** aims to support key mitigation measures designed to: (i) isolate and protect abandoned uranium mine tailings and waste rock dumps from disturbance by natural processes such as landslides and floods, and from leaching and dispersal processes associated with ground- and surface-water drainage; (ii) create a disaster management and response system that can be administered effectively by national and sub-national authorities, and local communities; and (iii) develop a system to detect and warn against active landslide movements in key hazard areas.

**Results achieved:**

- The project has reduced the impact of uranium tailings and waste dumps in Mailuu-Suu.
- Amelioration and strengthening works along the Aylampa-Sai River were completed in 2008 and the behavior of this structure during and after the rain season was satisfactory. The behavior of the protection works as executed for Waste Dump #6 during the period December 2007-November 2009 is also good.
- Physical works were executed on several tailings and waste dumps in 2008 (tailings #5 and #7) to address the most serious safety issues. The works consisted of placing soil covers on localized hot spots, cleaning, repairing or installing drainage ditches and water diversion channels, and erecting warning signs and informing the public. Before the project, Waste Dump #5 was in the center of Kara-Jigach village. The entire waste dump has been relocated. All materials have been removed and the leveling has been completed.
- The Tectonic Triangle has been unloaded to improve landslide safety. Some 86,000 m<sup>3</sup> of rocks from Waste Dump #1 have been relocated to Waste Dump # 2 and the Kulmen Say River has been channeled around the waste dump.
- A new National Emergency Response and Management Plan has been prepared under the project

**Key Partners:** Ministry of Ecology and Emergencies (now the Ministry of Emergency Situations).

**Key Development Partners:** the Government of Japan, the Global Environment Facility (GEF), Asian Development Bank, United Nations Development Program, and International Atomic Energy Agency (IAEA).

## CAPACITY BUILDING FOR ECONOMIC MANAGEMENT P108525

### Key Dates:

**Approved :** July 01, 2008

**Effective:** December 18, 2008

**Closing:** December 31, 2012

### Financing in million US Dollars\*:

<i>Financier</i>	<i>Financing</i>
IDA Credit	3
Borrower	0.45
Total Project Cost	3.45

### World Bank Disbursements, million US Dollars \*:

<i>Financier</i>	<i>Financing</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IDA Credit	3	0,61	2,42

**\*Source Client Connection as of September 5, 2011.**

*Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*



**The Project Development Objective** is to establish and institutionalize a sound framework and capacity for economic policy making and implementation in the Kyrgyz Republic.

The most important project objectives are: a) improve macro-economic policy development and decision making through establishing strong inter-ministerial coordination; b) support economic policy development and implementation; and c) support reform of employment practices and wages in the civil service by building the capacity in a special task force in this area.

The project will fund consultancies and training, for four purposes:

- Creating an institutional and technical framework for government-wide macroeconomic policy development and co-ordination.
- Strengthening the capacity for economic management, analysis and policy development in Government. This component will focus on developing capacity within Ministries of Economic Regulation and Finance.
- Development of capacity to carry out a pay and grading reform in the civil service.
- Project management and coordination. This component will finance two local senior policy advisors (one on macro fiscal issues and the other on growth, business environment issues and institutional issues) reporting to a steering committee of the principal agencies involved in the project to provide policy advice and help project management.

### **Results achieved:**

Implementation has been slow. So far, only 13% of the total project funds have been disbursed. Slow implementation is the result of a) effectiveness delays and late launch only in February 2009, and b) the volatile political and security situation in the Kyrgyz Republic. The implementation has accelerated significantly in 2011 and significantly faster disbursement is now expected.

Examples of some early results include:

- The passing of legislation which created a Ministerial Coordination Council for Macroeconomic Policy and the establishment of an inter-ministerial Technical Working Group on Macroeconomic Policy.
- Officials have been trained in macroeconomic policy development and coordination.
- A macroeconomic forecasting tool has been developed and officials have been trained in the macroeconomic modeling and forecasting techniques.
- Functional review of the Ministry of Economic Regulation has been performed and work is under way to improve human resource management in that Ministry.
- A Salary Task Force, which will prepare a strategy for pay and grading reform in civil service, has been created.

**Key Partners:** The Ministry of Economic Regulations (former Ministry of Economic Development and Trade), the Administration of the President of the KR (previously), Ministry of Finance, and the National Bank of the Kyrgyz Republic

**EMERGENCY RECOVERY PROJECT  
P123044**

**Key Dates:**

**Approved :** September 30, 2010

**Effective:** October 8, 2010

**Closing:** December 31, 2012

**Financing from all co-financiers, million US Dollars:**

<i>Financier</i>	<i>Financing</i>
IDA Credit	38.1
IDA Grant	31.9
<b>Total Project Cost</b>	<b>70.0</b>

**World Bank Disbursements, million US Dollars \*:**

	<i>Total</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IDA Credit	38.1	16.74	23.77
IDA Grant	31.9	14.09	19.69

**\*As of September 5, 2011.**

*Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*



The Emergency Recovery Project (ERP) addresses the economic and fiscal impact of the political and civil unrest of April and June of 2010. The project supports implementation of the government's emergency program for social reconciliation, recovery and reconstruction. The project development objective is to assist the Kyrgyz Republic in: (a) strengthening the prospects for macroeconomic stability and the government's fiscal resilience to meet the priority needs of its emergency recovery and reconstruction program; and (b) restoring and ensuring continuous provision of the basic energy (power/heat/gas) services with a focus on the affected areas so as to support economic output and provide adequate heating to population during the winter.

The project seeks to achieve those objectives through the financing of: (i) purchases of essential goods and commodities for recovery and reconstruction, and (ii) rehabilitation and repair of energy infrastructure and networks to restore and ensure power, heat and gas services to affected areas. The latter comprises of procurement of fuel for thermal power plants and district heating systems and the urgent repairs of damaged networks for electricity, heating, and gas supply in the affected areas.

**The Project Development Objectives** are (a) to strengthen the Government's financial resilience to meet the priority needs of its emergency program and (b) to restore reliability and security of energy services electricity and heating -- especially in Osh and Jalalabad where energy infrastructure was damaged.

**Results achieved:**

- US\$28 million was disbursed upon effectiveness as a retroactive financing under the High Priority Expenditures Component to support the state budget. The Ministry of Finance was able to satisfy its budgetary obligations in 2010 including those related to the emergency recovery and reconstruction in the south. There were no arrears on wages and social benefits in 2010. The remaining US\$7 million expected to be disbursed in 2011, is to support the Ministry of Education's request for procurement of books, computers, and furniture for schools.
- Implementation of the second Component on Rehabilitation and Repair of Energy Infrastructure (US\$ 35 million) was delayed. Given the Parliamentary elections in October 2010 and formation of a new Government in end December, it took some time till the required subsidiary agreements between the Ministry of Finance and the energy companies were finally signed in March 2011. An action plan was developed with oversight from the Minister to speed up the implementation of this Component.
- So far, about 30 contracts for procurement of energy sector equipment and materials have been signed. This includes the purchase of transformer substations, special machines, electric cables, electricity meters, and fuel for the heating stations.

**Key Partners:** Main key partners for this project are Ministry of Finance, Ministry of Energy, JCS companies, Ministry of Education.

**ECONOMIC RECOVERY SUPPORT OPERATION**  
**P125425**

**Key Dates:**

**Approved :** August 2, 2011

**Closing:** June 30, 2012

**Financing from all co-financiers, million US Dollars:**

<i>Financier</i>	<i>Financing</i>
IDA Credit	16.5
IDA Grant	13.5
<b>Total Project Cost</b>	<b>30</b>

**World Bank Disbursements, million US Dollars \*:**

	<i>Total</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IDA Credit	16.5	N/A	N/A
IDA Grant	13.5	N/A	N/A

\* Source Client Connection as of September 5, 2011.

*Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*



Following the tragic events of April and June 2010, the Government of the Kyrgyz Republic adopted a program of policy actions to promote economic recovery. The Economic Recovery Support Operation aims to support this program.

**The objective of the Economic Recovery Support Operation Program (ERSO)** is to strengthen governance in the management of public assets and revenues through maintaining Ministry of Finance's control over all capital spending by abolishment of the off-budget development fund and asserting stronger budget control, enhancing transparency in privatization process, establishing proper accounting and improving operational performance in the energy sector, and maintaining financial sector stability. The ERSO supports policy actions implemented between April 2010 and June 2011 aimed at stabilizing the economy, strengthening governance and safeguarding social protection.

The operation is in line with the Bank's Interim Strategy Note (ISN) that covers fiscal years 2012 and 2013. The pillars of the interim strategy – economic stabilization, improved governance, and social stabilization – are the areas of policy focus in the ERSO.

More specifically, the ERSO supports the government budget and includes a program of policy reforms to improve public financial management, accountability and governance. In this regard, the new operation puts an emphasis on two main pillars: strengthening governance and transparency in the management of public assets and revenues, and safeguarding social protection and supporting the conflict-affected population.

**Results to be achieved:**

The package of reforms supported by the approved operation will, among other things, establish transparent and rules-based processes in management of public assets and conduct of privatization, in management of electricity sector finances and monitoring sector performance, in the National Bank's supervision of the banking sector, and in the administration of social protection.

**Key Partners:** Ministry of Finance of the Kyrgyz Republic, which is the project implementing agency; Ministry of Economic Regulation of the Kyrgyz Republic, National Bank of the Kyrgyz Republic, Ministry of State Property of the Kyrgyz Republic, Ministry of Social Protection of the Kyrgyz Republic

**PAYMENTS AND BANKING SYSTEM MODERNIZATION PROJECT**  
P074881

**Key Dates:**

**Approved :** March 16, 2004  
**Effective:** September 23, 2004  
**Closing:** April 30, 2012

**Financing from all co-financiers, million US Dollars:**

<i>Financier</i>	<i>Financing</i>
IDA Credit	9.0
Local Sources of Borrowing Country	1.28
Borrower	0.21
Total Project Cost	10.49

**World Bank Disbursements, million US Dollars \*:**

	<i>Total</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IDA Credit	9.0	5.12	4.22

**\*Source Client Connection as of September 5, 2011.**

*Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*



The Payments and Banking System Modernization Project (PBSM) was designed to support the Kyrgyz Republic's financial sector modernization program. The Kyrgyz Republic's financial sector program built on the findings of the joint IMF/World Bank Financial Sector Assessment Program of 2002 that identified a number of priority actions, including *inter alia*: (i) upgrading the payments system infrastructure; (ii) strengthening banking supervision and debt resolution; (iii) enhancing the capacity and independence of the National Bank of the Kyrgyz Republic (NBKR); (iv) helping divest government ownership in banks by supporting privatization of state-owned banks (SOBs) or preparing SOBs for eventual privatization; and (v) expanding financial sector access of the poor and those in rural or remote areas, notably through support to microfinance institutions and expansion of credit resources to small and micro-enterprises.

**The Project Development Objective** was to assist the national payments system modernization program (thereby helping reduce cash payments and stimulating growth in the number of bank accounts held by the population and thus the deposit base), and banking sector reform. While the largest share of the Project supports the national payments system modernization program, PBSM was restructured in July 2009 at the request of the Government to provide broader banking sector reform support, including privatization preparation support for the national agriculture microfinance bank, Aiybank.

**The Project** provides financing for (i) the investment costs incurred by the NBKR towards upgrading the country's national payments infrastructure, which includes implementation of a bulk clearing system, a central card processing center, and a real-time gross settlement system; (ii) the acquisition of a new modern General Ledger for the NBKR required to accommodate the increased transaction flows and volumes generated by the improved payments system infrastructure, and (iii) for the acquisition of a new modern core banking system by the State-owned Savings and Settlements Company (SSC) which operates as a banking and payments services' delivery intermediary and provides fiscal and quasi-fiscal payments for the Social Fund and other budgetary services, and (iii) TA support for privatization preparation of the Aiybank.

**Results achieved so far:**

- Substantial progress has been achieved in all components related to the modernization of the payments system infrastructure. The Bulk Clearing System (BCS) introduced in October 2006 is operating well and the Real Time Gross Settlement (RTGS) System introduced in June 2008 has now achieved its operational objectives and been formally accepted by the NBKR. The inter-bank Card Processing Center (CPC) has been operational since December 2006 and usage of the national El-Card continues to grow, reaching over 85,000 as of July 1, 2011.
- Another important planned application – the Government payroll reform initiative whereby Government employees' salaries are to be paid through bank accounts instead of cash – also continues to grow with approximately 59,000 employees as of July 1, 2011 receiving direct deposits of their salaries through commercial bank accounts.
- The contract on the General Ledger for the NBKR is expected to be signed shortly. SSC finalized contract negotiations with the winner of the Automated Banking System tender.
- Due to the recent political developments, privatization of the Aiybank was postponed.

**Key Partners: National Bank of the Kyrgyz Republic** which is responsible for the overall payments system policy, project implementation and is the ultimate recipient of credit resources provided under the Project.

**Key Development Partners:** Financial Sector Reform Initiative Trust Fund (FIRST), with contributions from the governments of Canada, the UK, Switzerland and Sweden.

## REDUCING TECHNICAL BARRIERS FOR TRADE AND ENTREPRENEURSHIP PROJECT

P087811

### Key Dates:

**Approved :** July 13, 2006

**Effective:** January 16, 2007

**Closing:** October 31, 2012

### Financing from all co-financiers, million US Dollars:

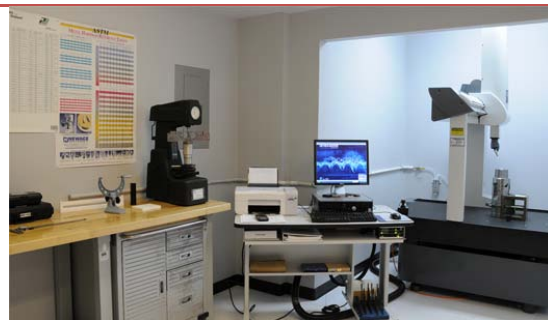
<i>Financier</i>	<i>Financing</i>
IDA Grant	5.0
Total Project Cost	5.0

### World Bank Disbursements, million US Dollars \*:

	<i>Total</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IDA Grant	5.0	2.3	3.2

**\*Source Client Connection as of September 5, 2011.**

*Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*



The Reducing Technical Barriers for Trade and Entrepreneurship Project (RTBET) was designed to support the transition from a burdensome regulatory system based on compulsory standards (the Soviet Sate Standard system) to a more streamlined system based on international standards. Specifically, RTBET supports the Kyrgyz Republic's regulatory and technical reforms necessary to help the country reap fuller benefits from its decade-long WTO membership by helping remove non-tariff barriers to trade through the development of a sound domestic technical regulation system and a reliable infrastructure of Metrology, Standardization, Testing and Quality services (MSTQ).

**The Project Development Objective** is to streamline the compulsory standard requirements for business, develop systems to enhance product quality and safety, and increase enterprise competitiveness in pilot sectors.

**The Project** provides financing for (i) the development of a sound and internationally compliant regulatory framework of Technical Regulations, by providing capacity building support to the Ministry for Economic Regulation and other agencies involved in the reform; (ii) equipping with state-of-the-art metrology equipment and strengthening the capacity of the Center for Standards and Metrology so that the metrology institute is able to provide basic measurement services required by the private sector and ensure accuracy and traceability of measurements performed locally; and (iii) developing a modern domestic accreditation and certification infrastructure recognized internationally and thus capable of providing critical services to both enterprises operating locally as well as exporters.

**Results achieved so far:** the RTBET project has produced tangible results across all components.

- Fifteen sector-specific technical regulations have been adopted and signed into Law or adopted through Government Decree while six others are pending final approval by Parliament and Government. A number of additional priority technical regulations notably in the food sector area are in the final stages of development.
- The list of products subject to mandatory certification has been significantly streamlined from 5000 to 684 categories of products, thereby easing the burdensome form-based versus risk-based certification and inspection requirements imposed on businesses. The Government is considering further compressing the list down to 649 products in 2011.
- Two state of the art metrology laboratories for mass and temperature measurements have been installed within the premises of the Center for Metrology and Standards.
- The Kyrgyz Center for Accreditation created under the Project is now capable of providing reliable accreditation services for the domestic testing and certification infrastructure. In addition, the Center for Accreditation has initiated the peer-to-peer international recognition process supported by International Laboratory Accreditation Cooperation (ILAC), which will allow the country to benefit from the “tested once, accepted everywhere” trade principle under the WTO system.

### **Key Partners:**

The Ministry for Economic Regulation is responsible for technical regulation and trade reform. In addition, the Center for Standards and Metrology and the Kyrgyz Center for Accreditation are recipients of technical and financial assistance.

### **Key Development Partners:**

The Government of Japan through a PHRD grant, Swiss Cooperation (SECO) and German Cooperation (GTZ).

# HEALTH AND SOCIAL PROTECTION PROJECT (HEALTH SWAP)

P084977, P112142, P125470

## Key Dates:

**Approved :** December 15, 2005

Additional Financing (AF) approved: June 12, 2008

Additional Financing 2 (AF) approved: June 09, 2011

**Effective:** June 8, 2006

**Closing:** June 30, 2014

## Financing from all co-financiers, million US Dollars:

Financier	Financing
IDA Gant	15
IDA AF	6
IDA AF2	24
Government of Kyrgyzstan	440
Other Donors (DFID)	13
Other Donors (KfW)	20
Other Bilateral Agencies	164
<b>Total Project Cost</b>	<b>682</b>



## World Bank Disbursements, million US Dollars \*:

	Total	Disbursed	Undisbursed
IDA	45	20.4	26.03

\*Source Operations – Dashboard as of September 5, 2011.

*Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*

Health spending in the Kyrgyz Republic declined rapidly from 1996 to 2004, falling from 3 percent of GDP in 1996 to around 1.8 percent in 2004. This was due in part to the country's large debt burden and irregular revenues, which had been affected significantly by the regional financial crisis in 1998 and slow growth in the years thereafter. This situation reduced the funding available for essential health services. As a result, healthcare providers demanded steep increases in patient out-of-pocket premiums. Not surprisingly, declining health spending led to reduced access. In 2004, a consortium of donors led by the World Bank agreed to adopt a Sector-Wide Approach (SWAp) to support the health sector in Kyrgyzstan.

**The Project Development Objective** is to improve health status by: (a) improving access, financial protection, efficiency, equity and fiduciary performance in the health sector; (b) ensuring sufficient and reliable financing for the health sector; (c) strengthening the targeting of social benefits through development of an effective administration and information management systems to improve access to social services in general; (d) protecting and improving health and nutritional status of particularly vulnerable populations in the face of food price shocks, by providing nutritional supplements and nutrition education to pregnant/lactating women and infants/young children; and (e) helping poor Kyrgyz families manage and mitigate the impact of food price shocks and protect consumption (general and food consumption) by scaling up and strengthening targeted cash transfers.

The Project supports implementation of the government's Manas Taa'limi (MT) Health Reform Program through the SWAp and includes two components: component 1 supports the MT's Program of Work, while component 2 focuses on strengthening the administrative systems of the Ministry of Labor and Social Protection to enable social protection and health systems to become more effective at targeting assistance and subsidies to the poor.

## Results achieved:

- **Successful Health Financing Reforms.** The Mid-Term Review in May 2008 showed clear evidence of: reducing people's financial burden; improving their access to health services; reducing the share of patients making informal payments; equalization of the regional distribution of expenditures under the State Guaranteed Benefits Package and the additional drug benefit; and improving transparency and efficiency. This suggests that the Kyrgyz health financing reforms – and the Single Payer system around which they are based – have been highly effective at channeling funds to services and providing a fair, transparent, modest and balanced benefit package for the population. Less positively, improvement in health outcomes has been limited, largely due to the poor quality of health services, which is currently being addressed and would constitute a main pillar for the next generation of health reforms.
- **Timely Response to Mitigate Impacts of the Food Crisis.** Under the additional financing for the Food Crisis Response, supplements of Vitamin A were provided to approximately 1.1 million children aged 5-59 months to reduce the food crisis's impacts on children's long-term physical and cognitive development. Another 126,000 Vitamin A supplements were provided to nursing mothers. Further, the 30 percent top-up of targeted cash transfers (known as the Unified Monthly Benefit program – the main safety net and poverty reduction program in the Kyrgyz Republic), to compensate for food price increases, reached an average of approximately 360,000 socially vulnerable people.
- **Increasing Resources for Health.** Thanks to the Manas Taa'limi/Health SWAp the share of health expenditures relative to total government expenditures moved from 10.6 percent in 2006 to 13.0 percent in 2010.
- **Strong Government Ownership and Commitment for Reforms.** Manas Taa'limi implementation became a core operation of the Ministry of Health (MOH) and the Mandatory Health Insurance Fund (MHIF). This has resulted in strong government ownership of the program with full engagement of the Ministry of Finance (MOF), MOH and MHIF staff at all levels.

**Key Partners:** the **Ministry of Health of the Kyrgyz Republic** and the **Mandatory Health Insurance Fund**.

**Key Development Partners** included DFID, Sida, SDC and KfW who financially contributed to the project through pooled budget support, and WHO, USAID, UNICEF, UNFPA, GTZ and others who provided parallel funding.

**GOVERNANCE TECHNICAL ASSISTANCE PROJECT  
P071063**

**Key Dates:**

**Approved :** May 15, 2003  
**Effective:** August 28, 2003  
**Closing:** December 28, 2012

**Financing from all co-financiers, million US Dollars:**

<i>Financier</i>	<i>Financing</i>
IDA Credit	7.78
Borrower	2.43
<b>Total Project Cost</b>	<b>10.21</b>

**World Bank Disbursements, million US Dollars \*:**

	<i>Total</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IDA Credit	7.78	4.42	4.92

\* Source Client Connection as of September 5, 2011.

*Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*



In 2003, the Country Assistance Strategy Note identified strengthening the governance framework as one of the three key priorities. The Governance Technical Assistance Credit (GTAC) project aimed to contribute to improving transparency and accountability of the public sector, as well as at strengthening the institutional framework and capacity of the public sector. Prior to project approval, the government implemented a number of legal and organizational changes, such as establishing a Chamber of Accounts, adoption of a new Public Procurement Law, enactment of a Civil Service Law, structural changes in government institutional systems, etc. Still, weaknesses existed with public financial management and accountability, the application of merit-based human resource management, and transparency and accountability in public service. The GTAC aimed to support measures agreed under the Government Structural Adjustment Credit (GSAC) to address these gaps.

**The Project Development Objectives** are to strengthen the Borrower's institutional capacity to implement the measures outlined in the GSAC Program Documents and to assist with the Treasury modernization.

**The Project** addressed these issues by: (1) strengthening voice and participation; (2) improving transparency in public procurement through institutional and legal strengthening; (3) improving service and financing standards in health and education and improving regulatory oversight in these sectors; (4) improving civil service effectiveness; (5) supporting organizational improvements in government ministries and agencies. Significant resources were allocated to modernization of the Treasury through the implementation of a Treasury Management Information System (TMIS) and the introduction of the Human Resource Management Information System (HRMIS). International development organizations, including USAID, UNDP, DFID and the EU-TACIS program provided parallel technical assistance.

**Results achieved:**

*Civil Service System.* The Project has helped the government to strengthen the civil service system, inter alia, through introduction of (i) new legislation distinguishing between political appointees and administrative civil servants; (ii) the institute of State Secretaries, as the highest administrative position in the Kyrgyz civil service, and (iii) merit based principles in recruitment. The Project assisted the government in establishing a Civil Service Agency to oversee these reforms. The reforms minimized the turnover of administrative civil servants during political changes, as the State Secretaries, responsible for human resource policy in the respective agencies, retained their positions in the most cases. Computerized tests, introduced by the Project, helped improve selection based on qualifications.

*Public Procurement.* The Project helped the government to introduce modern legislation in public procurement.

*Financing social services.* New financing models in the education and health sectors, introduced under the Project, proved to be more efficient and client-oriented. The new approach to allocation of financial resources in these sectors improves equity between urban and rural areas.

*Modernization of Treasury.* The most notable results of the Project are expected in area of public finance management, in particular, in area of budget execution. Almost 90 percent of the Project funds will be financing the modernization of the Treasury (TMIS) and Civil Service Agency (HRMIS). The government finalized the TMIS/HRMIS contracts with both software and hardware suppliers in October 2009 and January 2010, respectively. The detailed system design is currently being reviewed by the Ministry of Finance (MoF). The new TMIS/HRMIS solutions are expected to be launched in late 2011.

**Key Partners:** **Ministry of Finance of the Kyrgyz Republic**, which is the project implementing agency;  
**State Personnel Service**; responsible for implementation of civil service reforms and other central agencies.

**Key Development Partners**, Swiss SECO, Swedish Sida, DFID, and the European Commission through a Multi-Donor Trust Fund of US\$7.49 million equivalent.

**SECOND VILLAGE INVESTMENT PROJECT**  
**P098949, P098949**

**Key Dates:**

**Approved :** August 3, 2006

**Effective:** December 5, 2006

**Additional financing (AF) approved:** November 3, 2009

**Closing:** December 31, 2012

**Financing from all co-financiers, million US Dollars:**

<i>Financier</i>	<i>Financing</i>
IDA Grant	15.00
IDA Grant - AF	3.6
IDA Credit - AF	4.4
DfID (£8.46m)	15.2
Government of Kyrgyzstan	7.5
<b>Total Project Cost</b>	<b>45.7</b>

**World Bank Disbursements, million US Dollars \*:**

	<i>Total</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IDA Grant	15.0	15.93	0.0
IDA Grant - AF	3.6	2.13	1.47
IDA Credit - AF	4.4	4.59	0

**\*As of September 5, 2011.**

*Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*



The Second Village Investment Project (VIP) supports the development of capacity at the community level to plan, prioritize, and implement local investments and to manage financial resources efficiently and transparently. The Project provides grants to communities to implement community investment plans. All rural communities are eligible to participate. Through a participatory and transparent process, villagers identify local problems, establish their own priorities for the grant scheme, and prepare micro-projects that address their needs. The participatory process has helped to strengthen the voice of women and the poor, and the female participation is prominent in community leadership roles, in the local and village investment committees, and as leaders of microproject groups. The Project is implemented by the Community Development and Investment Agency (ARIS), in close cooperation with the local communities.

The Project applies a bottom-up approach to prioritization, planning and implementation, and direct assistance to rural communities, and relies heavily on the empowerment of grassroots institutions. The Project draws upon the capacity created, the experience gained, and lessons learned under the first VIP. Examples include rehabilitation of rural schools, rural healthcare facilities, roads, electric substations, and rural information-resource centers, among others. Community members contribute at least 25% to investment costs in cash and/or kind, and they are also fully responsible for the subsequent operation and maintenance of the facilities through the committees and groups established under VIP or in partnership with the local governments. Investments are implemented as much as possible by the local beneficiaries themselves and/or by local contractors in order to support the development of local small-scale enterprise.

**The Project Development Objective** is to assist the Recipient with: (a) improving governance and capacity at the local level; (b) strengthening the provision of, and access to, essential infrastructure services, and (c) supporting private group-owned small-scale enterprise development.

**Results achieved:**

- To date, the project has expanded to cover each of 473 ayil okrugs (local municipalities) in the country and has gained strong recognition amongst the rural population. The project allowed them to voice their concerns, trained them to prioritize their needs, helped to develop strategic investment plans and provided grant financing for their microprojects.
- More than 64 thousand local government officials and community members have been trained in principles of budgeting and planning, 1500 villages have improved social and economic infrastructure.
- Approximately 2.7 million people have benefited directly and indirectly from the completion of about 6 thousand microprojects. These include approximately 279,000 beneficiaries of drinking water microprojects, 129,000 from electricity microprojects, 545,500 beneficiaries of new or rehabilitated primary health facilities, and about 947,500 from schools construction and rehabilitation microprojects.

Such is the project's reputation among local communities, that several babies have even been named Aris after the local acronym for the Community Development and Investment Agency!

**Key Partners: Community Development and Investment Agency (ARIS)** - an implementing agency.

**Key Development Partners: DfID** (co-financing), **KfW** (parallel financing).

**NATIONAL ROAD REHABILITATION (OSH-BATKEN-ISFANA) PROJECT**  
**P107608, P123291, P126606**

**Key Dates:**

**Approved :** November 3, 2009

**Effective:** February 26, 2010

**Additional financing 1 (AF) approved:** September 30, 2010

**Additional financing 2 (AF) approved:** June 28, 2011

**Closing:** December 31, 2014

**Financing from all co-financiers, million US Dollars:**

<i>Financier</i>	<i>Original Financing</i>	<i>Additional Financing I</i>	<i>Additional Financing II</i>
IDA Credit	13.75	5.50	8.80
IDA Grant	11.25	4.50	7.20
Borrower	5.76	0	0
<b>Total Project Cost</b>			<b>56.76</b>



**World Bank Disbursements, million US Dollars \*:**

	<i>Total</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IDA Credits	28.05	0.0	28.05
IDA Grants	22.95	7.2	16.43

**\*Source Client Connection as of September 5, 2011.**

*Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*

The road network is a priority of the Government of the Kyrgyz Republic given its importance in providing access to markets and basic public services. 92 percent of passenger and 59 percent of freight traffic is carried by road. The road network covers all seven oblasts (provinces), and provides connections to remote communities and links to neighboring countries. Travel in most of the country is severely constrained by the predominantly alpine topography where roads have to cross passes of 3,000 meters altitude and are subject to frequent mud slides and snow avalanches. Travel in the Southwestern part of the country, namely between Osh and Isfana town, has some additional problems since the road crosses Tajik and Uzbek enclaves and main territories, which entails going through border formalities.

The existing basic transport infrastructure is adequate for the level of economic activity likely to occur in the medium term. However, roads at all levels are deteriorating; over 60 percent require heavy maintenance or rehabilitation. The Government's focus is therefore on rehabilitating key links in the road transport network.

**The Project Development Objectives** are: (i) to contribute to the reduction of transport costs and travel time along the Osh-Batken-Isfana road corridor; (ii) to improve road safety planning and road asset management; and (iii) repair and rehabilitate road infrastructure in and around Osh and Jalal-Abad cities thereby creating temporary jobs. The completion of the Project will make a significant contribution to the level of reliability and connectivity offered. About one million inhabitants or 18 percent of the country's population will benefit from the investment. It will also improve transit between the Kyrgyz Republic and Tajikistan. The First Additional Financing to the on-going National Road Rehabilitation Project (Osh-Batken-Isfana) finances road repair within Osh city and rehabilitation of roads within and around the cities of Osh and Jalal-Abad. In Osh city, the additional financing will finance road repairs such as fixing potholes, sealing cracks, mending edges and sidewalks, and unblocking drainage pipes. The Second Additional Financing will scale up project activities through the rehabilitation of an additional section of the Osh-Batken-Isfana road corridor (including the 18 kilometer-long Nookat Pass) and the provision of technical assistance to improve road asset management in the country.

**Results achieved:**

- Under the original NRRP the contract with the Chinese contractor to rehabilitate segments of Osh-Batken –Isfana corridor was signed and total progress of works as of June 2011 was 19.33% against the planned 18.85%. The contract for construction supervision was signed in August 2010 and supervision works started in September 2010.
- Under the NRRP AF1 the contract with a local contractor (Imperia Group Ltd) was signed to repair selected urban roads in Osh. As of June 2011, 249 person-months were employed against the targeted 5,000 person-months. For supervision purposes of these repair works in Osh an amendment to the existing supervision contract was made.

In April 2011 the request for expressions of interest in developing the national road safety program as part of Component 2 was disseminated. The Bank and the Implementing Agency agreed to recruit an internationally recognized consulting company for the component's implementation.

**Key Partners:** The Ministry of Transport and Communications of the Kyrgyz Republic (MoTC)

**SMALL TOWN INFRASTRUCTURE AND CAPACITY BUILDING PROJECT**  
**P083377, P115460**

**Key Dates:**

**Approved :** December 14, 2004

**Additional Financing (AF)–** April 6, 2009

**Effective:** May 2, 2005

**Closing:** September 30, 2011

**Financing from all co-financiers, million US Dollars\*:**

<i>Financier</i>	<i>Financing</i>
IDA Credit	12.0
IDA Grant	3.0
IDA Credit – Additional Financing	2.2
IDA Grant - Additional Financing	1.8
Government of Kyrgyz Republic	0.65
<b>Total Project Cost</b>	<b>19.65</b>

**World Bank Disbursements, million US Dollars\*:**

	<i>Total</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IDA Credits	15.6	15.6	0.0
IDA Grants	5.3	5.18	0.11

**\*Source Client Connection as of September 5, 2011.**

*Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*



The Kyrgyz Republic faces substantial challenges in rebuilding basic infrastructure in urban areas. Since the collapse of the Soviet Union, there has been rapid deterioration in the availability and quality of public infrastructure services, as a result of withdrawal of state subsidies and lack of proper maintenance. Services once taken for granted (drinking water, solid waste collection, sewerage treatment, etc.) are often available only intermittently or not any longer. Steady deterioration in the quality of municipal services has led to public health problems. The capacity of local governments in providing infrastructure services is limited by lack of available fiscal resources, weak institutions, and local infrastructure service providers that are unable to cope with the rapid deterioration of infrastructure.

The Project started to work in 23 small towns in the country. After more than a decade of severe neglect, large portions of local service infrastructure, installations, and equipment have deteriorated significantly and need to be rehabilitated, rebuilt or even replaced entirely if service delivery is to be restored to minimally acceptable levels.

**The Project Development Objective** is to improve the availability, quality and efficiency of local infrastructure services for the populations of participating small towns. The Project finances rehabilitation and/or repair of basic infrastructure and utility service installations and equipment and assists local governments in increasing the effectiveness of the management of local infrastructure services. The project targeted all 23 small towns with populations ranging from 9 thousand to 70 thousand people.

**Results achieved:**

- By July 2011, all sub-projects included in the First-, Second- and Third-Year Investment Programs of the “Urban Infrastructure Improvement Component” were completed, except the investment in Kok-Jangak, which was delayed by the 2010 conflict in the South and required more time for completion.
- All sub-projects under the “Social Infrastructure Improvement Component” have been completed. Sub-projects include renovation of roofs for school and community centers, repairs to heating systems in kindergartens, general repairs to kindergartens and sport facilities in schools.
- Activities under the “Institutional Strengthening Component” are completed.
- Water supply and sanitation systems have undergone some level of rehabilitation in 18 small towns. Sewerage has been repaired in 2 towns.
- 22 towns have received equipment to improve their solid waste management capacity.
- Finally, all 23 small towns have received small grants for rehabilitation of social and cultural infrastructure.

**Additional Financing** of US\$ 4.0 million equivalent for the Urban Infrastructure Improvement Sub-Component of the Project became effective on July 02, 2009. Procurement and implementation of works for the sub-projects in the four towns to be financed from the Additional Financing is completed, but in Kok-Jangak, equipment purchased with AF funds is largely delivered.

**Key Partners:** **The Community Development and Investment Agency (ARIS)** which is responsible for overall Project implementation and (ii) **the Local Self-Governance (LSG)** of participating small towns, which are responsible for identifying and preparing investment proposals to be submitted to ARIS as well as the preparation of Town Development Strategies and Performance Improvement Action Plans.

# BISHKEK-OSH URBAN INFRASTRUCTURE PROJECT

P104994

## Key Dates:

Approved : March 18, 2008

Effective: July 29, 2008

Closing: June 30, 2012, AF being prepared

## Financing from all co-financiers, million US Dollars\*:

Financier	Financing
IDAT – IDA Grant	12.0
Government of Kyrgyz Republic	2.35
Total Project Cost	14.35

## World Bank Disbursements, million US Dollars\*:

	Total	Disbursed	Undisbursed
IDA Grant	12.0	7.33	4.65

## \*Source Client Connection as of September 5, 2011.

Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.



To control the effects of growing migration on urban development in Bishkek and Osh, the Kyrgyz authorities began in the early years of independence allocating agricultural land to migrants for housing construction in semi-informal settlements, so-called *novostroiki* (literally “areas containing new constructions”). Creation of such *novostroiki* continued throughout the 1990’s and early 2000’s at a relatively moderate scale, but accelerated significantly after 2005. Today, Bishkek has about fifty such settlements with a population of between 125,000 and 200,000, or up to one-fifth of the city’s total population. Osh has eight with a total population of possibly in excess of 50,000. Developing these *novostroiki* was instrumental in preserving a reasonably orderly urban fabric and averting the emergence of slum-like neighborhoods, but it did little to provide minimally acceptable living conditions to the residents of these areas or help secure their integration into the urban community. As a result, the two cities have become surrounded by a ring of settlements whose inhabitants are generally poor, lack basic infrastructure, and have limited access to social, educational and other services.

**The Project Development Objective** is to improve living conditions in selected semi-informal settlements (*novostroiki*) in Bishkek and Osh, the two largest cities of the Kyrgyz Republic, by increasing the availability of basic infrastructure to the residents of these areas.

The outcome of the Project will be monitorable improvements in the quantity and quality of basic services (water supply, roads, etc.) available to *novostroiki* residents. Specifically, the project’s performance will be assessed against criteria such as: (i) increase in number of residents benefiting from 12-hour availability of safe potable water, (ii) increase in number of residents with access to piped potable water within a distance of less than 150 m, (iii) increase in number of residents with access to roads open to public transportation within a distance of less 500 m, (iv) number of community investment projects successfully completed..

## Results achieved:

The Project is making progress towards improving living conditions for the residents of the targeted *novostroiki*.

- Works for the construction of about 21 kms of roads in Bishkek *novostroiki* started in October 2009, and although delayed by the unrest of 2010, will be completed soon.
- Works under the Osh water supply component are about 70% completed, with the civil works of the pumping station number 5 finished, and with pumping equipment being purchased for installation at the site; laying of pipes in the selected *novostroiki*, and works and installations at pumping station number 4 are completed.
- Under the social infrastructure component, 36 sub-projects were completed in 2009, including 2 pedestrian bridges, 12 playgrounds, 4 sidewalk improvements and greenery, 1 special machinery for solid waste collection, 5 sport grounds, 8 stele, 2 rainwater channels and 2 information centers for the communities participating in the project. A new series of small social infrastructures is designed by the Community Development and Investment Agency (ARIS) and implementation started in 2011.
- The institutional component is to support the municipalities of Osh and Bishkek to improve services to their residents.

Although the pace of implementation has been significantly slower than planned due to the 2010 unrest in the country, fortunately, there was no direct damage made to the investments financed by the project. ARIS has performed well as implementing agency.

Due to the success of the Bank’s urban development program, the World Bank has reserved new funds to continue support investments in this sector, also addressing needs of the communities affected by the 2010 conflict.

**Key Partners:** The Community Development and Investment Agency (ARIS) which is responsible for overall BOUIP implementation.

**SECOND RURAL WATER SUPPLY AND SANITATION PROJECT  
P110267**

**Key Dates:**

**Approved :** April 21, 2009

**Effective:** August 19, 2009

**Closing:** May 31, 2013

**Financing from all co-financiers, million US Dollars\*:**

<i>Financier</i>	<i>Financing</i>
IDA Credit	5.5
IDA Grant	4.5
DFID	6.33
Government of Kyrgyz Republic	2.04
<b>Total Project Cost</b>	<b>18.37</b>

**World Bank Disbursements, million US Dollars\*:**

	<i>Total</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IDA Credit	5.5	0.15	5,96
IDA Grant	4.5	0.98	4

**\*Source Client Connection as of September 5, 2011.**

*Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*



Prior to independence in 1991, rural water supplies were managed by a state service provider, the now-dismantled Kyrgyz Ayil Suu (KAS – Rural Water Supply Entity). Water was supplied almost free-of-charge and systems were designed to a high standard, even providing sufficient storage and pressure to support fire hydrants. However, with independence came the end of centralized budgetary support, and KAS became unable to sustain the previous levels of operation and maintenance of the systems, which started to deteriorate. KAS was eventually dismantled and the responsibility for rural drinking water supply has since migrated to several ministries and agencies, including the Department for Rural Water Supply (DRWS) under the Ministry of Agriculture, Water Resources, and Processing Industry (MAWRPI) and the National Agency of Local Self-Governance Affairs (NALSG). This location aimed at more transparent and efficient management of the sector through closer links between DRWS and the rural self-government entities—Ayil Okmotu. However in 2009, responsibility moved again under the agency in charge of irrigation services.

**The Project Background:** the poor state of rural water supplies and sanitation infrastructure led the World Bank to support the Rural Water Supply and Sanitation Project (RWSSP-1) in April 2001 (closed in October 2008). The Kyrgyz Government requested financing for the second, repeater operation, the Rural Water Supply and Sanitation Project (RWSSP-2) in 2008. RWSSP-2 became effective in August 2009.

**The Project Development Objectives** are: (i) to improve access to potable water to the participating communities; and (ii) to improve hygiene, sanitation and water-related practices at individual, family and institutional levels in the rural areas.

**The Project Components** are the following: (i) Water Supply Infrastructure and Equipment, (ii) Sanitation and Hygiene Promotion Program, (iii) Institutional Development.

**Results achieved:** At midterm in June 2011, twenty-two months after effectiveness, progress against the Development Objectives was very unsatisfactory, with no results yet to be measured on the ground in terms of improved access to water supply or improved hygiene and sanitation conditions. Except for one subproject, works are still in the design or contracting stage. Disbursements are marginal at \$1.2m (or about 7% of total Project budget) essentially consumed in project management and design tasks. Project unit costs are also substantially higher than budgeted, following a change of design standards. The lack of progress is largely attributed to poor management by the implementing agency and weak institutional oversight. The Project is undergoing restructuring, with transfer of implementation responsibilities to Community Development and Investment Agency (ARIS), and reconfiguration of investment scope. The restructured scope includes rectification of some systems installed under RWSSP-1.

**Key Partners:** Between August 2009 and June 2011, the Project has had four Execution Agencies. With the restructuring in July 2011, ARIS combines Execution Agency and Implementing Entity roles.

**Fast Track Initiative Catalytic Grant Fund -2 (TF)  
P118423**

**Key Dates:**

**Approved :** March 24, 2011

**Closing:** August 31, 2012

**Financing from all co-financiers, million US Dollars:**

<i>Financier</i>	<i>Financing</i>
Education for All - Fast Track Initiative	6.0
<b>Total Project Cost</b>	<b>6.0</b>

**Disbursements, million US Dollars \*:**

	<i>Total</i>	<i>Disbursed</i>	<i>Undisbursed</i>
Education for All - Fast Track Initiative	6.0	1.0	5.0

**\*Source Client Connection as of September 5, 2011**

*Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*



Kyrgyzstan was successful in fully utilizing the first year allocation of the first FTI grant which focused on improving the learning environment in pre-schools and primary schools, and raising awareness of communities and parents on the importance of early childhood education. The 2<sup>nd</sup> Project's objective is to support the Government's introduction of the national school preparation program aimed at ensuring smooth transition to school for 5-6 year olds by providing teaching and learning materials, furniture, teacher training and mentoring support, as well as support for research and evaluation activities.

*The Quality enhancement of the mandatory preparation program component* aims to increase the knowledge and skills of primary school teachers responsible for the delivery of the school preparation program (3,200 teachers countrywide) through training, and to facilitate the application of the acquired knowledge and skills in the classroom through provision of a mentoring program.

*The Improving the learning environment component* will improve the learning environment for the preparatory program in targeted oblasts and ensure adequate teaching and learning materials, including developmental games, reading books, visual aids and methodological materials sufficient to support the 240 hours in all schools. Under the component all schools, offering the school preparation program in Osh, Jalal-Abad, Talas, and Issyk-Kul oblasts will be provided with children's and teachers' tables and chairs, blackboards and storage shelves or cupboards for the resources.

*The Policy and implementation support Component* will assist the Government to promote the program and to identify issues of policy and practice to improve it, and will provide support for the effective fiduciary management, reporting and monitoring of the project activities.

**Results to be achieved:**

- 3,200 teachers countrywide will be trained for the delivery of the 240-hours school preparation program. A total of 520 trainings will be conducted. An expert team of 30 trainers will be set up to carry out training programs for teachers and methodologists;
- 57 methodologists in regions across the country will receive professional training as mentors for teachers;
- All 2,133 schools in the country will be supplied with a standard package of core learning and teaching materials, including developmental games, early supplementary reading books, and visual aids, as well as methodological manuals sufficient to support the 240 hours program;
- 1,365 schools offering the preparation program in four targeted oblasts (Osh, Jalal-Abad, Talas and Issyk-Kul) will be provided with tables and chairs, blackboards, and storage shelves or cupboards for the resources to allow the preparatory program to run in an adequate classroom learning environment.

**Key Partners:** Ministry of Education and Science of the Kyrgyz Republic, principal executing agency; UNICEF, in-country Coordinating Agency .

**Agricultural Productivity Assistance Project (TF)  
P118838**

**Key Dates:**

**Approved :** 30-JUN-2011

**Financing from all co-financiers, million US Dollars:**

<i>Financier</i>	<i>Financing</i>
Russia Food Price Crisis	6.85
Beneficiaries	0.78
<b>Total Project Cost</b>	<b>7.63</b>

**Disbursements, million US Dollars \*:**

	<i>Total</i>	<i>Disbursed</i>	<i>Undisbursed</i>
TF	6.85	0.0	6.85

**\*Source Client Connection as of September 5, 2011.**

*Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*



The proposed project activities are expected to contribute to increased productivity in the agricultural sector, by improving access to finance to support investments in farm inputs, agricultural machinery and some marketing infrastructure, timely and reliable weather forecasts, and complementary capacity building activities for farmers.

**Development Objective of the Project** is to increase the agricultural productivity of the project beneficiaries.

**Investment Support for Improved Farm-level Productivity Component** will:

1) provide Credit Line for farmers and farmer associations to increase access to financing. The Credit Line will consist of two products: (i) *Working capital loans*, providing access to much needed short-term financing for spring and winter planting (agricultural inputs, such as seeds, fertilizers and fuel) and harvesting activities for small farmers and farmer cooperatives; and (ii) *Investment loans and leases*, for purchasing farm machinery, investing in warehouses and other productive assets. The Credit Line will also complement the grant funds for cooperatives made available for investment purposes under the ongoing Agribusiness and Marketing Project (ABMP). It is estimated that around 2,000 farmers will have access to sub-loans under this program.

2) finance further expansion of the network of the Community Seed Funds (CSF) aimed at supporting the poorer rural households with high quality seeds and fertilizer, as well as complementary training for CSF members. It is expected that by the end of the project, around 5,500 farmers from 65 newly created CSFs would have benefitted.

**Technical Support for Improved Farm-level Productivity Component** will support pilot delivery of weather information to farmers, including early warnings for adverse weather events, to reduce crop losses due to such weather events; and will support training and extension services to farmers and farmer cooperatives on modern, sustainable agricultural practices (including integrated pest management) to increase agricultural productivity and reduce on-farm losses, and quality management systems at the farm level.

The funding for the project in the amount of US\$6.85 million has been provided by the Russia Food Price Crisis Rapid Response Trust Fund for the Kyrgyz Republic and Tajikistan.

The ultimate beneficiaries are expected to contribute about US\$780,000.

**Results to be achieved:**

- 1) Percentage increase in gross value of output in the participating farms.
- 2) Percentage increase in yields per ha in the participating farms for selected key crops.
  - Percentage of farmers in the project area adopting improved technologies
  - Number of farmers receiving daily 3-day weather alerts (through cell phone or other means)
  - Number of farmers trained in measures against adverse weather events
  - Number of farmers trained in improved agro-technical practices and quality management

**Key Partners:** Ministry of Agriculture, Ministry of Finance, Credit Line Management Unit under the Ministry of Finance, Agribusiness Competitiveness Center, Kyrgyz Hydromet.

**Key Development Partners:** UN Women (formerly UNIFEM)

## Capacity Building in Public Financial Management (TF) P112713

### Key Dates:

**Approved :** November 25, 2008

**Effective:** December, 16-2009

**Closing:** June 30, 2013

### Financing in million US Dollars\*:

<i>Financier</i>	<i>Financing</i>
Other Donors (EC)	2.84
Other Donors (DFID)	3.66
Other Donors (Seco)	0.52
Other Donors (Sida)	0.47
<b>Total Project Cost</b>	<b>7.49</b>

### Disbursements, million US Dollars \*:

<i>Financier</i>	<i>Financing</i>	<i>Disbursed</i>	<i>Undisbursed</i>
	7.49	0.508	6.98

**\*Source Client Connection as of September 5, 2011.**

*Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*



The importance of the reform of Public Finance Management (PFM) for the future development of the Kyrgyz Republic cannot be overstated. A number of major projects, covering different aspects of the PFM process, have been and are currently funded by different donors (the WB, EC, DFID and USAID). In addition SECO, SIDA, UNDP, EU and the IMF have undertaken a number of evaluation and advisory activities. Coordination of donor activities has been problematic in the past, but currently is functioning very effectively with a joint PFM Donor Coordinator placed in the Ministry of Finance and with regular PFM Donors meetings.

The PFM projects have contributed to the progress in various areas of PFM, however many challenges still remain. It is therefore crucial to continue to support reforms in central PFM areas, such as budget preparation, budget execution, internal audit and cash management. A general criticism from the Government of the various Technical Assistance (TA) projects underway is that they have provided substantial advice and guidance from international consultants but less in terms of direct Capacity Building (CB) activities focusing on the needs of the key ministries involved. There are immense management challenges for the Kyrgyz administration and in particular MoF to implement changes in PFM effectively. These are challenges that the managers and staff are poorly equipped to address. In addition to provision of TA in support of central PFM reform areas, the Multi-Donor Trust Fund will therefore support a range of capacity building activities in order to ensure successful implementation of PFM reforms.

**The Project Development Objective** is to strengthen the effectiveness, efficiency and accountability PFM through strengthening the budget process, the internal audit and control functions and the institutional and human capacity of MoF as well as other agencies involved in PFM in the Kyrgyz Republic. The Project has the following components: (i) Strengthening the Budget Process; (ii) Improving the Medium Term Budget Framework, including the line ministries; (iii) Internal Audit and Control; (iv) Capacity Building for PFM; (v) Project Management.

### **Results to be achieved:**

- A stronger budget process with improved indicators of internal management and accountability for spending and performance;
- Intensified and more productive interaction between Government and citizens on budget issues;
- Increased predictability of the annual budget as a result of Medium Term Budget Framework;
- A stronger public internal financial control environment;
- Increased competence in management and technical functions in MoF and key line ministries, specifically in PFM.

**Key Partners:** Ministry of Finance of the Kyrgyz Republic

**Key Development Partners:** European Commission, DFID, Seco, Sida.



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