



SPECIAL STUDY

The EBRD's Investment Climate Support Activities Case study: the Kyrgyz Republic

Regional

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Abbreviations

ADB	Asian Development Bank
ASB	Advice to Small Business
E2C2	Energy Efficiency and Climate Change team
EEU	Eurasian Economic Union
EPG	Economy, Policy and Governance team
ETC	Early Transition Countries
EU	European Union
FINTECC	Financial and Technology Transfer Centre for Climate Change
GoK	Government of the Kyrgyz Republic
IC	Investment Council (Business Development and Investment Council)
ICGI	Investment Climate and Governance Initiative
IFC	International Financial Corporation
IFCA	Investment Facility for Central Asia (EU)
KR	The Kyrgyz Republic
KyrSEFF	Kyrgyz Sustainable Energy Financial Framework
LC2	Local Currency and Local Capital Markets team
LTT	Legal Transition Team
MDA	Market Development Activities
PPP	Public Procurement Policy team
RKDF	Russian Kyrgyz Development Fund
SBI	Small Business Initiative
SECO	Swiss State Secretariat for Economic Affairs
SME F&D	Small and Medium Enterprises Financing and Development
SME	Small and Medium Enterprises
TFP	Trade Facilitation Programme
WB	World Bank

EBRD Investment Activities in Kyrgyz Republic (January 2018)

Cumulative Activity

of projects to date
Net Cumulative Bank investment
Private sector share of cumulative investment
Cumulative disbursements

Transition (December 2017)

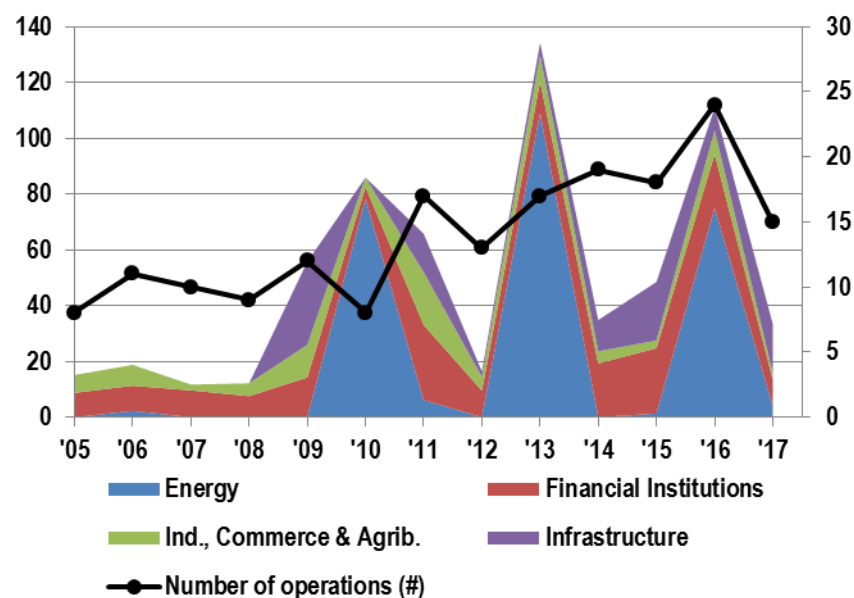
Expected Transition Impact
Portfolio Transition Impact

164
€643m
72%
€511m
67.5
78.0
(76.8)

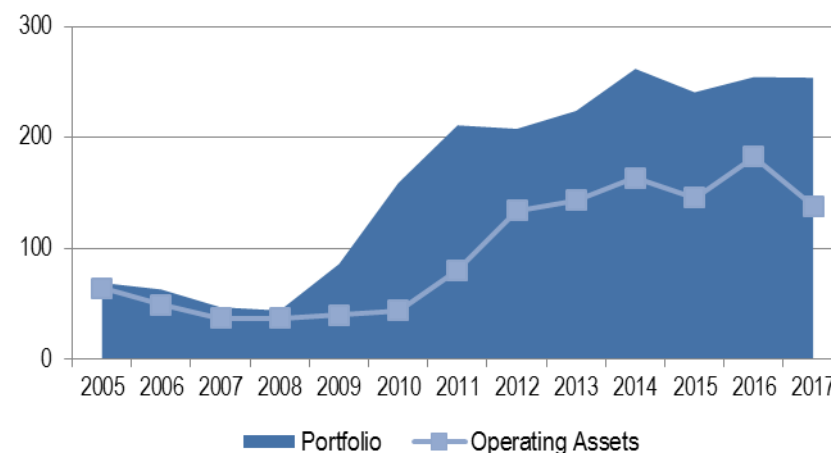
Portfolio and Operating Assets

Portfolio €163m
Number of active portfolio projects 66
Operating assets €91m
Private sector share of portfolio 38%
Equity share of portfolio 2%
NPL Ratio (Non Sovereign) 35.8%

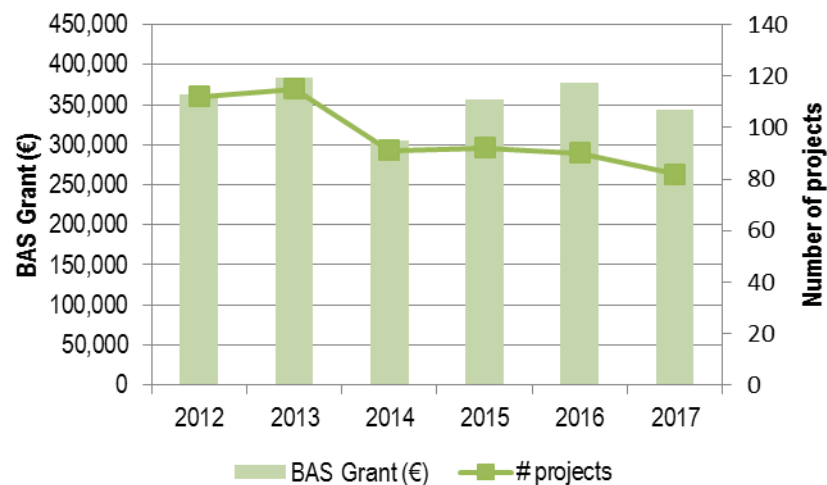
Sectoral composition of ABI and Operations



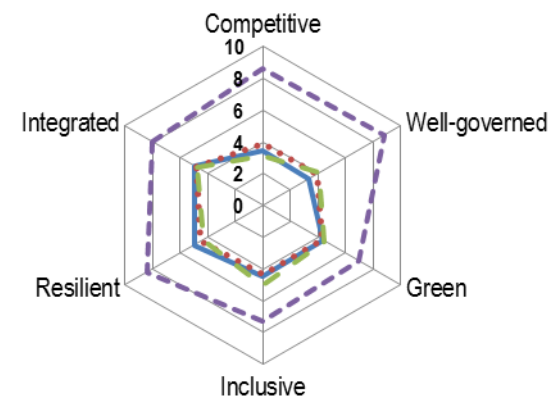
Kyrgyz Republic: Portfolio Dynamics, EUR millions



Kyrgyz Republic: ASB projects 2012-2017



Transition Gaps: Kyrgyz Republic & Regions

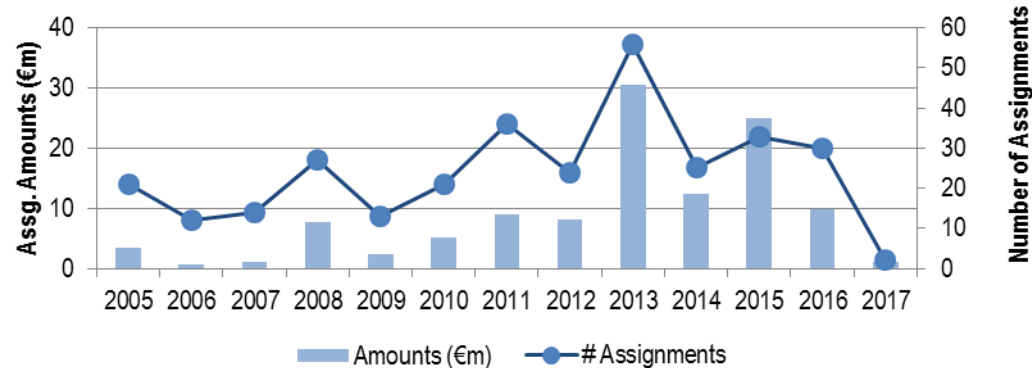


— Kyrgyz Rep. EBRD - - - Central Asia - - - Advanced comparators

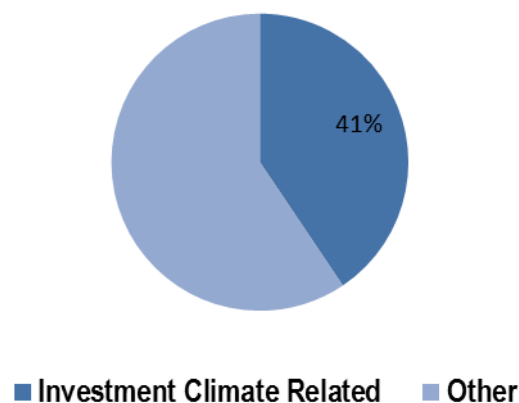
ASB MIS

Source: Business Performance Navigator and EBRD Transition Report 2017-2018

Kyrgyz Republic: TC Assignments 2012-Q12017



Kyrgyz Republic: TC Assignments 2005-Q12017

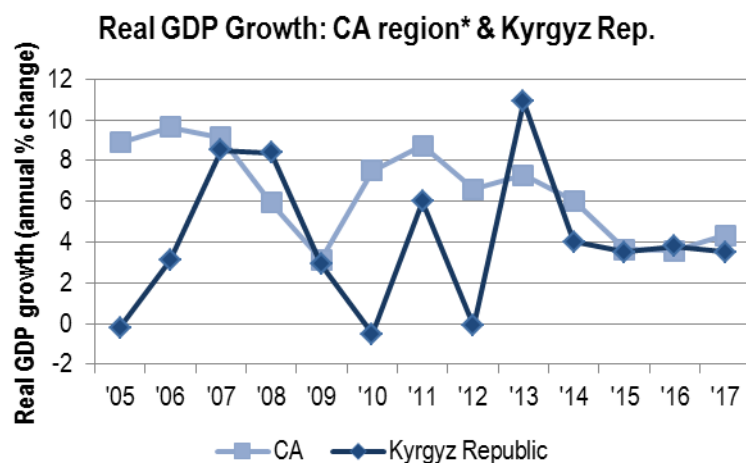


Kyrgyz Republic context figures

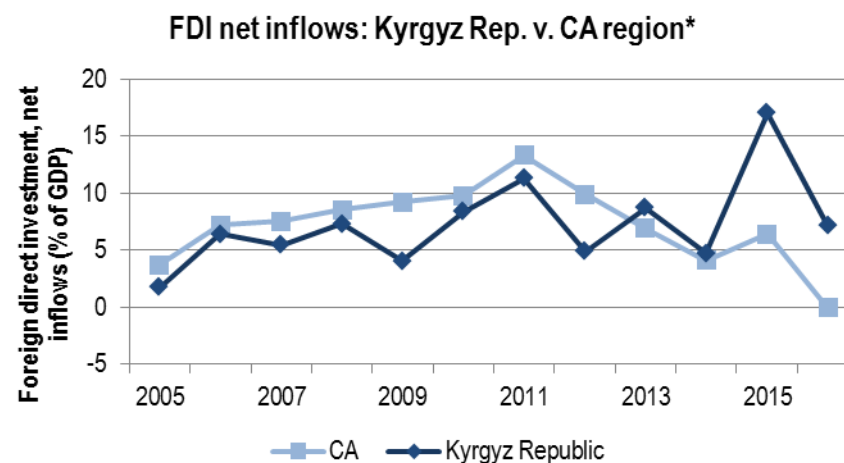
Population
GDP per capita, PPP (const. 2011 int. USD)
Global Competitiveness Index WEF (out of 137)
Corruption Perception Index Transparency International (out of 180)
Ease of Doing Business(DB) ranking (out of 190)
DB 2018 Distance to Frontier (0 to 100)
Unemployment, youth total (ILO estimate)
Ratio of female to male labor participation rate (ILO estimate)

6m
3,294
102
135
77
65.7
15.0%
64%

2016
2016
2017-2018
2017
2018
2018
2017
2017

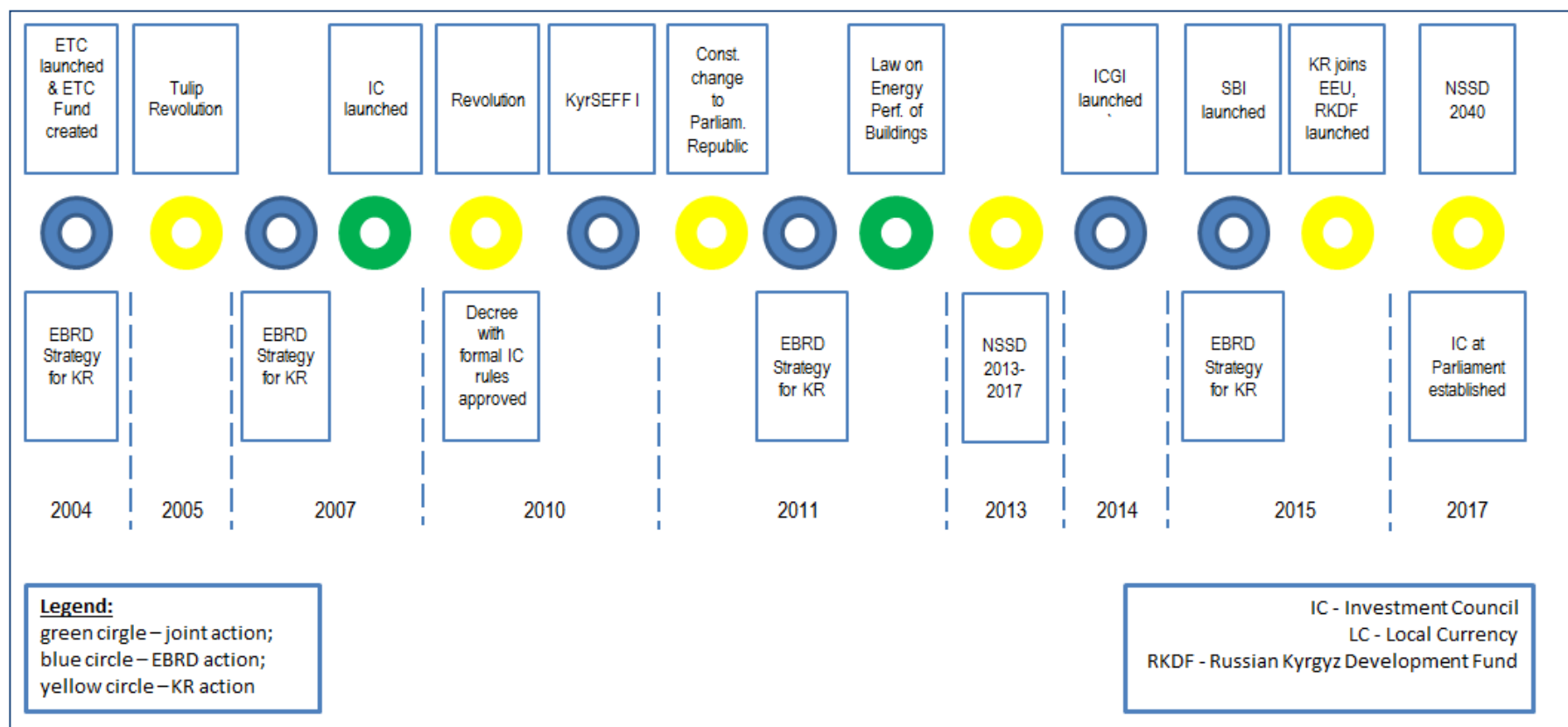


*Weighted averages, based on the countries' nominal GDP values in PPP US dollars.
Source:
IMF
World Economic Outlook Database, October 2017 (2017 figures are IMF staff estimates)
Regional Economic Prospects in EBRD Countries of Operations (November 2017)



*Simple average
Source: World Bank

Timeline



1. Introduction

1.1. Approach

This case study report contributes to a larger evaluation of the EBRD's activities in supporting improvements to the investment climate in its countries of operation. The report contains the results of the evaluation of the EBRD's activities in supporting the improvement of the investment climate in the Kyrgyz Republic in the period 2005-2017. The report is based on the analysis of internal and external documents related to relevant Bank activities and semi-structured interviews with EBRD colleagues, government officials, donors, clients and other key stakeholders in the country.¹ A full list of interviews conducted is presented in Annex 1. A local consultant prepared a background report on the evolution of the Kyrgyz investment climate in 2005-2017 which was used in the process of preparing this case study report.²

For the purpose of answering the evaluation questions EvD used a logical framework that was built around the EBRD's inputs and activities and the results emanating from those: outputs (resulting from specific activities), outcomes (from the set of activities at the sectoral level) and impact (country level long-term changes) (see Annex 2). The operational focus of the analysis encapsulates two transition qualities, well-governed and competitive, which in EvD's opinion constitute the core of the efforts aimed at improving the country's investment climate. The "what" bit of the analysis sums up the key projects and policy engagement activities which are significant for the improvement of the investment climate. Analysis of the well-governed dimension includes seven strands of ICGI (public-private dialogue; transparency and disclosure; business regulation; incentives to reduce corruption; functioning of the judiciary; dispute resolution; procurement policies and practices) plus corporate governance activities. Analysis of the competitive domain brings together activities relevant for enhancing access to finance; changes in the market structures; companies' capacity to generate value added; and their incentives for commercially sound decision-making.³ The Inclusion dimension is added as it is one of the greatest challenges for KR. The "how" analysis briefly describes the delivery mode and the level of collaboration across the Bank's streams of work and administrative matrix.

The country context is more complex and requires a nuanced approach. Only some elements of it are relevant for the EBRD's strategic fit while others are outside the mandate of its activities. This report is not intended to be an evaluation of the Kyrgyz investment climate and should not be treated as one. It is an evaluation of the Bank's activities in relation to improving the country's investment climate.

1.2. Country Context

The Kyrgyz Republic is a Central Asian country with a democratic political regime that, in the last decade, has experienced significant political upheavals and suffered from severe and long-term economic crises. The change of power in 2005 (so called Tulip Revolution) and then in 2010 (which resulted in a shift from presidential to parliamentary republic) were not totally peaceful and caused disruptions to economic and investment activities. According to the most recent EBRD BEEPS V survey (2012-2013) political instability is the largest constraint in the country's business environment, closely followed by corruption, challenging access to electricity and the informal economy.⁴ However, it should be noted that the most recent presidential election has resulted in a peaceful change of power and the new president assumed his role in November 2017. This gives potential for enhanced stability and more positive investment prospects.

Changing geopolitical and geoeconomic priorities have a significant influence on the country's economic activities and dynamics of growth. The 2005 Revolution led to a significant drop in economic growth, where recovery was interrupted by the global economic crisis in 2008, and then by the political turbulence in

¹ Interviews in Bishkek, The Kyrgyz Republic, took place in May 2017. In total 32 people shared their views on the relevant Bank's activities and their results in The Kyrgyz Republic

² Fatima Toktosunova "Investment Climate in The Kyrgyz Republic", Internal Report, May 2017

³ Based on the overview of the EBRD's six dimensions of transition, 2017.

⁴ <http://ebrd-beeps.com/reports/beeps-v/kyrgyz-republic/>

2010 (see dashboard). After relatively positive trends in 2012-2014 a new challenge arose: in 2015 the Kyrgyz Republic joined the Eurasian Economic Union (EEU) with the objective of harnessing closer economic relations with the Russian Federation, Kazakhstan, Belarus and Armenia. However in the short-term, integration into the EEU is having a negative effect on the country's economic growth, investments and trade relations with other partners, particularly China. For example, the FDI flow to KR in 2016 contracted by about 240% compared to 2015 (although it was a record level). Also, border tensions with China, Kazakhstan and Tajikistan disrupt transport routes critical for the country's economy and make KR's ambition to become a strong regional transport hub more challenging.⁵

The lack of technical infrastructure to ensure compliance with EEU standards and quality control, in particular the lack of testing laboratories, precludes Kyrgyz goods from reaching the EEU markets. The statistics on trade flows in recent years confirm these challenges. Most importantly, reforms in the legal and regulatory environment have not led to deep structural changes, and KR continues to depend on the mining sector and agriculture as key contributors to GDP. Kumtor Goldmine, the biggest single contributor to national industrial production (23.4% in 2016) and GDP (8% in 2016), remains the subject of continuous disputes between the Government of KR (who owns 33%) and the major Canadian investor of Centerra Gold Inc, a specially formed Kyrgyz company. The disputes have had a negative effect on KR's image as an investment friendly country, thus repelling further FDIs, especially as the majority of those are directed into the mining and quarrying sector.

Another important dimension of development is human capital and welfare. Despite the fact that KR has succeeded in decreasing poverty and extreme poverty (from 62% and 18% respectively in 2005 to 37% and 2.8% in 2013), and has positive dynamics of demographic growth, it has few economic opportunities for its population. The deficit of jobs forces a large (predominantly male and educated) share of the population to labour emigration, mostly to the Russian Federation. Leaving families behind, they send back remittances, which remain a key source of income for many households and are equal to 30% of national GDP. Regional disparities in social welfare are stark, while inclusion of female and young people into the labour force remains challenging, and the problem of child labour is significant.

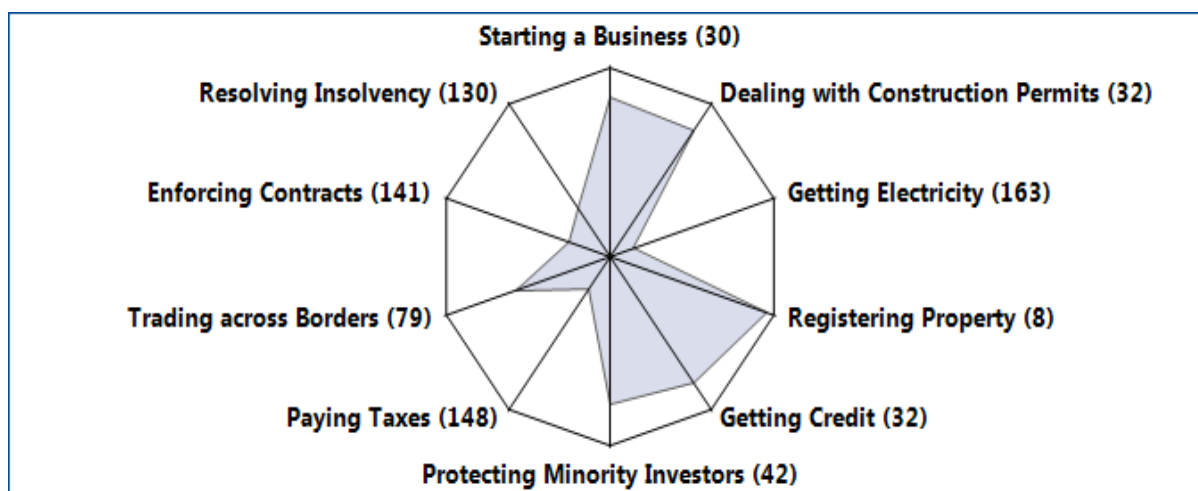
According to the World Bank Group Doing Business (DB) 2017, the business environment of the KR is ranked 75th out of 190, which represents a significant improvement on its position of 102 in 2015⁶. KR performs well in registering property (8th), starting a business (30th), and dealing with construction permits and getting credit (32nd). It has improved its rating in trading across borders, but it is still low at 79th position. Getting electricity, paying taxes, enforcing contracts and resolving insolvency still remain critical constraints on doing business in the country (Chart 1). These constraints are in line with those identified in the 2013 BEEPS V survey.⁷

⁵ A political dispute with Kazakhstan in November 2017 led to temporary closures of the border crossings and delays in trade traffic, while China introduced a restrictive visa regulation in 2016, in the aftermath of a terrorist attack on its Embassy. Tensions on the largely unlimited border with Tajikistan have been continuous since the countries became independent in 1991.

⁶ <http://www.doingbusiness.org/data/exploreeconomies/kyrgyz-republic>

⁷ <http://ebrd-beeps.com/reports/beeps-v/kyrgyz-republic/>

Chart 1 The Kyrgyz Republic: rankings of Doing Business components, 2017



Source: *Doing Business 2017, Country profile, The Kyrgyz Republic*

The Kyrgyz economy is classified as uncompetitive by the World Economic Forum and it is 111th among 138 countries in its Global Competitiveness Index (2016-17). This is 10 positions above its 2010 level, however progress is insufficient. The corruption perception Index by Transparency International provides some positive insight, as KR rose from 164th place in 2010 to 136th place in 2016. However, this positive dynamic is not enough to convince foreign investors of the attractiveness of the country's economy. KR is doing relatively well in the index of Economic Freedom (89 among 186).

The EBRD's assessment of the country's transition challenges presented in the most recent country strategy (2015) highlights weakness of market-supporting institutions, corruption, large share of the informal economy, high degree of dollarization of the economy, and inadequate professional and managerial skills of the labour force. The document also notes limited access to quality infrastructure and basic public services, and limited access to financing for predominantly small- and medium-sized enterprises.⁸ These problems have remained more or less unchanged over the last four strategic periods, as testified by the EBRD's strategy documents (2004, 2007, 2011, 2015). These challenges direct the EBRD's support into areas where there is the greatest need for the Bank's financial, technical and expert resources.

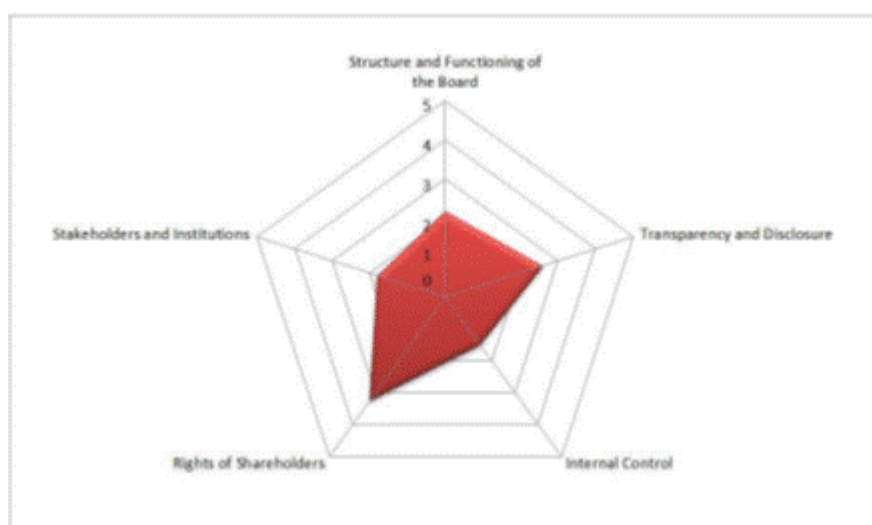
From the legal point of view the most recent LTT assessment identifies some improvements in the quality of legislation, noting that *"the laws on the books reached medium compliance with international standards of best practice"*.⁹ However many gaps remain. Specifically in the corporate governance area, KR scores poorly on all but one dimension – rights of shareholders – with other dimensions (structure and functioning of the board; transparency and disclosure; internal control; stakeholders and institutions) being either weak or very weak (see Chart 2 below).¹⁰

⁸ BDS/KY/14-1(F) Strategy for the The Kyrgyz Republic

⁹ Legal Reform in the Kyrgyz Republic, available at <http://www.ebrd.com/legal-reform/where-we-work/kyrgyz-republic.html>

¹⁰ LTT (2017) Corporate Governance in Transition Economies. Kyrgyz Republic Country Report, available at <http://www.ebrd.com/what-we-do/sectors/legal-reform/corporate-governance/sector-assessment.html>

Chart 2 Corporate Governance Legislation and Practices in the Kyrgyz Republic



Source: EBRD, Corporate Governance Assessment, 2016 (where 1 is very weak and 5 is very strong)

In the process of evaluation, key internal and external counterparts emphasised that lack of inter-agency co-ordination, bureaucracy, low capacity of civil servants, technically and technologically backward public offices are slowing down progress, which is visible in the policy adoption. Many suggested that “the civil service is too big and badly paid” and offering the solution that “2/3 of all civil servants should be made redundant and the remaining 1/3 should get decent salaries”. Some were very candid about the quality of personnel, suggesting that the civil service attracts “the best of worst people in the country” and that more effort should be made to attract educated, talented and young people. Even counterparts from central government institutions complained that often public agencies are not quite clear about their own role. It means that rather than supporting companies and investors they interfere with, and severely disrupt, their activities. Business representatives suggested that “a dramatic change in the quality of public administration is impossible without generational change”.¹¹

A more detailed overview of the key trends in KR’s investment climate and the policies aimed at its improvement is available upon request as a separate document. Annex 3 sums up the institutional architecture in the area of investment climate.

2. EBRD’s Role in Supporting Investment Climate Improvement

2.1. The history of engagement

The EBRD launched its operations in the Kyrgyz Republic in 1993 and overall has invested €643 million in 164 projects.¹² 59% of the current EBRD portfolio (€249 million¹³) is in the private sector with infrastructure (39%), energy (35%), and financial institutions (15%) being dominant sectors. In the area of SME sector support, the EBRD has delivered 69 international advisory projects and 1,026 local consultancy projects (as of summer 2017). In autumn 2017 the EBRD launched the Small Business Initiative in KR, offering a combination of advisory services and financing. The Kyrgyz Republic is part of the Bank’s early transition countries initiative (ETC), launched in 2004, which offers a more consistent and

¹¹ All quotes in this paragraph are from interviews conducted by evaluation team in Bishkek in May 2017

¹² Data valid as of January 2018

¹³ This amount includes undisbursed amounts and valid as of 30 November 2017

significant donor-supported stream of activities, some through specially created donor facilities and projects. Because of the ETC status the EBRD could launch and implement a significant number of TC projects, whether associated with investments or stand-alone, which pushed forward reforms in crucial sectors. Successes are particularly notable in the financial sector, energy efficiency of residential buildings, regulations in the mining and quarrying sector, reform of municipal infrastructure, public procurement, etc. Among other activities, support for the establishment and functioning of the Investment Council has been part of the EBRD's ETC initiative in the Kyrgyz Republic since 2007 (see Chapter 3 for more details).

Traditionally the EBRD has worked in the most challenging areas that slowed down the country's transition to an open market economy and undermined the ability of the private sector to invest and grow. Improving the country's investment climate has consistently been in the focus of the Bank's activities. It is reflected in the succession of country strategies and systemic assessments of transition challenges, legal environment and governance standards. In particular, the EBRD's 2004 strategy for the Kyrgyz Republic states that there is a need for *"...further improvement of the investment climate through the adoption of more concrete and enforceable measures against corruption, improvements in the court system and the lessening of bureaucracy..."*.¹⁴ At the same time the Bank pledged to *"strengthen policy dialogue with the authorities in order to improve the investment climate"*. The most recent strategy, approved in 2015, while taking stock of the progress achieved, including contributions made by the Investment Council, highlights the need for continuous support in the area. In particular, the strategy proposes policy dialogue actions where *"...The Bank will step up its support to the Secretariat of the Business Development and Investment Council to maintain active public-private dialogue and continue facilitating improvements and changes in the legal and regulatory framework encouraging a more stable and supportive business environment."*¹⁵

Specific country challenges identified at the stage of preparing country strategies, and raised by the Kyrgyz counterparts in regular dialogues, have shaped the design and delivery of a number of initiatives and support programmes. In particular the ETC Initiative (2007) and the ICGI (2014) were instrumental in implementing IC relevant activities. More recently, challenges of inclusion and unfair competition/dominance of the informal sector have prompted the EBRD to launch a range of policy dialogue activities and TC projects aimed at supporting the government in developing and implementing strategies in these areas, with the maximum effect for economic growth and competitiveness.¹⁶

More recently, the Bank has become more ambitious and, at the same time, more specific about the policy objectives in the Kyrgyz Republic. This became possible due to the introduction of the new country strategy review process and country diagnostics, regular systemic monitoring of progress, as well as the closer integration of banking and policy objectives. This contributes to a stronger commitment to policy dialogue among bankers, as some of them take on board the co-ordination of specific policy objectives. For example, there is a principal banker in the municipal infrastructure team based in the RO who is the part-time gender focal point for Central Asia. The ASB team collaborates closely with the LTT team on unlocking public procurement for SMEs. And, although it is too early to take stock of these recent initiatives, KR's 2016 Country Strategy Delivery Review noted the achievements in supporting *"the improvements in legal and regulatory framework encouraging more stable business environment, including through on-going support to IC, advice on public procurement and drafting mobile banking regulation"*.¹⁷

Over the last decade the range and scope of the EBRD's activities have changed substantially, driven by several political and economic crises, change in the governance model, and in the geoeconomic strategy. After the 2005 political upheaval and the gradual increase in political and economic freedoms, the EBRD provided investments and support in the country's core industries, such as mining and quarrying,

¹⁴ Strategy for the The Kyrgyz Republic, November 2004, BDS/KY/04-1, p. 6

¹⁵ Strategy for the The Kyrgyz Republic, March 2015, BDS/KY/14-01, p.21

¹⁶ Bishkek RO now has a dedicated co-ordinator of gender issues, whose role is to mobilise Bank's and external resources to help the Government in implementing gender strategy in Industry (expanding the list of professions open for women) while governance team has recently launched project aimed at designing the practical instruments to reduce the share of informal economy, as requested by the Ministry of Economic Development.

¹⁷ The Kyrgyz Republic CSDR 2016, Delivery summary

agriculture and infrastructure. After the global financial crisis in 2008 and turbulent political changes in 2010 that led to a deep systemic economic crisis, the EBRD designed a crisis response programme that focused on supporting the country's troubled financial sector, the Bank's existing clients and new operations. It was prepared in close collaboration with other IFIs and international stakeholders, following the in-depth Joint Economic Assessment (JEA) led by WB, IMF and ADB, with the participation of the EBRD and several other international stakeholders.¹⁸

During the severe financial crisis, the EBRD at the time was almost the only financial institution offering access to finance to small and medium sized businesses. Since then the banking sector has been significantly reformed and standards of corporate governance enhanced dramatically. New policy and regulatory measures aimed at the dedollarisation of the economy and strengthening the local currency operations pool had positive effects on access to finance. It meant more investors were entering the country and economic growth reached sustainable rates (3-4%). However, the economy remains heavily reliant on one sector (mining and quarrying) and on the remittances coming from economic emigrants, mostly working in the Russian Federation. It is estimated that remittances account for 30% of the country's GDP. This dominant economic connection was one of the reasons that prompted KR to join the EEU in 2015.

Over three strategic cycles – in 2004, 2007, 2011 – the Bank's three operational priorities in KR were formulated quite broadly and remained constant. These were: (1) fostering the private sector; (2) strengthening the financial sector; and (3) support for essential infrastructure, with policy dialogue as an additional horizontal objective. However in the most recent strategic cycle a more in-depth analysis was performed and the EBRD's priorities were calibrated towards the country's needs and Bank's new strategic objectives, including a greater emphasis on regional co-operation and economic inclusion. The current strategic period has three key priorities:

1. Foster sustainable growth by strengthening regional cross-border linkages;
2. Enable SMEs to scale-up and bolster competitiveness;
3. Promote sustainability of public utilities through commercialisation and private sector participation.

The most recent Country Strategy Delivery Review, conducted in 2017, noted progress in implementing the second and third priorities, but highlighted the limited success in implementing the first one.¹⁹

The Timeline at the beginning of this document illustrates the evolution of relationships and milestones in the Bank's and KR's policies that in EvD's view are most relevant for investment climate improvement. The list is not complete, but it is comprehensive and reflects the diversity of the Bank's inputs.

The chapters below unwrap the set of EBRD activities in KR that contribute to the improvement of the investment climate. Given the long history of engagement and the complexity of challenges faced by the Kyrgyz Republic and its regions, the variety of inputs and activities is huge. And the information on the IC component is not always easily *dissectible* in terms of inputs and activities. Therefore in some cases EvD offers information on a specific portfolio and set of actions, while in others offers only a generalised synthesis of information made available through various primary sources. Activities are grouped under two core transition qualities that contribute most to investment climate improvement - well-governed and competitive. Seven dimensions of ICGI are then used to unpack the governance work. It is followed by a chapter on the inclusion dimension and a detailed account of activities to support the functioning of the Secretariat of the Investment Council – the Bank's flagship programme in the investment climate area. The final subchapter talks about how the Bank mobilises its resources, builds partnerships and creates synergies across teams to contribute to improving the investment climate.

¹⁸ Other participants include the Asian Development Bank, the EU, IFC and UN. JEA's full text is available at <https://www.imf.org/external/np/pp/eng/2010/072110.pdf>

¹⁹ BDS17-042F, KR Country Strategy Delivery Review 2017, internal document

2.2. EBRD's activities in governance domain

A number of EBRD teams are contributing towards enhancing good governance in the private and public sectors of the Kyrgyz Republic. The list below provides some details in terms of staff and resources (where data is available). The ETC HQ-based co-ordination team is not on this list as it was disbanded in 2015 and its various work streams were absorbed by other teams, including ASB, Governance team, and LC2. Thereafter a brief list of activities along seven dimensions of ICGI plus corporate governance work is presented.

Governance team <ul style="list-style-type: none"> • HQ team with regular visits to KR; • Dedicated country lead expert on IC, to be temporarily assigned to Bishkek RO from August 2018 (for 12 months); • IC Secretariat support project for €677.700 (2016-2019), project on reducing informal economy (€97,000), Taza Koom Programme (€574,000), a pipeline in development; • Overall co-ordination of investment climate activities, with Country Director leading on the ground with Senior Banker co-ordinating policy dialogue on daily basis.
LTT <ul style="list-style-type: none"> • HQ team with regular visits to KR; • LTT team implemented a wide range of projects in KR aimed at promoting a better legal environment for businesses through reducing the investment barriers and establishing level-playing field of rules and institutions promoting competitive economy. Since 2005 17 TC-funded LTT projects have been implemented in KR with eight of them being ongoing (see Annex 5 for the full list of projects). Among main donors are ETC Fund, SSF, Canadian, Swiss and Japanese governments.
EPG <ul style="list-style-type: none"> • HQ team + regional economist based in Astana RO; • Lead on country strategy preparation and regular monitoring (delivery reports)
ASB <ul style="list-style-type: none"> • Regional hub for Central Asia ASB: 5 experts based in Bishkek RO, plus 3 in Osh and one in Karakol; • Dedicated donor funding: €19.5 million from SECO, USAID, EU and from the bank's own SSF, since 2005 SBI (and its predecessors) provided support in various ways, including: (1) 18 direct financing projects for the total amount of € 19 million; (2) € 152.3 million financing through 18 PFIs; (3) Market development activities, including promoting export (through consultants and training activities); (4) Advise and financing to support 225,000 MSMEs annually (through microcredit organisations); • Small Business Impact Fund launched in 2015: Swiss Government contributed € 4.5 million ringfenced for Kyrgyz and Tajik SMEs with four key strands: targeted financial support; advisory services; training and skill enhancement; policy dialogue.
PPP <ul style="list-style-type: none"> • Working with LTT on amending Public Procurement Law and its implementation
Gender <ul style="list-style-type: none"> • HQ team with Gender Focal Point for Central Asia based in Bishkek RO; • TC projects aimed at identifying gender gaps and supporting GoK in remedying those

(1) Corporate governance

- Support to prospective and current clients in developing Corporate Governance Action plans; in some cases support in implementing and monitoring progress;
- Regular reviews of the standards of corporate governance in KR (the latest in 2017)

(2) Public-Private Dialogue

- Active membership in the International Business Council – the KR's largest business association;
- Launch and continuous support to the Investment Council (since 2007). Administration of donor funding that supports the functioning of the IC's Secretariat (see separate chapter below)

(3) Transparency and disclosure

- Continuous support in compliance with the EITI requirements, in 2011 KR became "EITI compliant"

(4) Business regulation

- Many activities, mostly through the IC's Secretariat. In particular its activities contributed to the dramatic decrease in the number of licenses (from 500 to 100); the number of tax reports

demanded from companies per annum, combined tax payments and simplified tax administration, including with e-solutions;²⁰

- Taza Koom programme supports the creation and development of national spatial data infrastructure within the framework of e-Government. It will enable private sector to freely access and effectively use the spatial data, which is the basis for many investment decisions, in particular in the infrastructure sector.

(5) Incentives to reduce corruption

- Support in developing the Anti-money Laundering Law (2006) and continuous support to financial institutions in enforcing AML procedures, strengthening internal and external audit, improving shareholder transparency;
- Ongoing dialogue on potential establishment of Business Ombudsman Council;

(6) Functioning of the judiciary

- LTT's continuous activities in the area of strengthening the capacity of KR's judiciary through five phases of training and capacity building programmes for judges and support to the local Judiciary Training Centre;
- LTT's strengthening the capacity of enforcement agents (bailiffs);

(7) Dispute resolution

- LTT's support to the introduction of commercial mediation procedures.

(8) Procurement policies and practices

- Since 2012, a joint EBRD/UNCITRAL TC programme has been assisting the Kyrgyz government in revising public procurement primary and secondary legislation.
- Currently the LTT and SBI teams are working together on a TC project aimed at enhancing SME access to procurement via a newly created e-procurement platform.

2.3. The EBRD's activities in the competitiveness domain

The newly defined competitive transition quality has three components: (1) market structures; (2) capacity to generate value added; and (3) incentives for commercially sound decision-making. Among the banking teams that were involved in the most intensive policy dialogue aimed at improving the competitiveness of the Kyrgyz economy are: FI (banking sector regulations – associated with credit lines and risk sharing facilities with PFIs), LC2 (dedollarisation measures – associated with credit lines and risk sharing facilities with PFIs); natural resources (compliance with EITI standards, capacity building of mining sector regulatory agencies – associated with the Centerra Gold project); E2C2 (associated with KyrSEFF and FINTECC); MEI (support in creating a dedicated regulatory agency for the water sector, reform of municipal water companies, inclusion of gender component – associated with Kyrgyz Water Framework). The list below summarises the resources and teams that are contributing to various dimensions of competitiveness through policy dialogue and TC activities that are usually connected to the operations.

²⁰ SBI Factsheet, 2016

Banking <ul style="list-style-type: none"> • 10 RO bankers and analysts led by Country Director, HQ bankers working across sector teams; • Most active teams: FI; ICA; property and tourism; natural resources; agribusiness • All clients but one in private sector and small and qualify for SBI definitions
EPG <ul style="list-style-type: none"> • HQ team + regional economist based in Astana RO; • Lead on country strategy preparation and regular monitoring (delivery reports) • Sector economists leading on transition impact indicators design and monitoring
ASB <ul style="list-style-type: none"> • Regional hub for Central Asia ASB: 5 experts based in Bishkek RO, plus 3 in Osh and one in Karakol; • Dedicated donor funding: EUR 19.5 million from SECO, USAID, EU and from the bank's own SSF, since 2005 SBI (and its predecessors) provided support in various ways, including: (1) 18 direct financing projects for the total amount of EUR 19 million; (2) EUR 152.3 million financing through 18 PFIs; (3) Market development activities, including promoting export (through consultants and training activities); (4) Advise and financing to support 225,000 MSMEs annually (through microcredit organisations); • Small Business Impact Fund launched in 2015: Swiss Government contributed EUR 4.5 million ringfenced for Kyrgyz and Tajik SMEs with four key strands: targeted financial support; advisory services; training and skill enhancement; policy dialogue.
E2C2 <ul style="list-style-type: none"> • HQ based team with regular visits to the country; • Bankers/analysts in RO team co-ordinating EE windows in public and private sector operations; • Bringing KR's legislation in energy efficiency sphere in compliance with EU Directives
LC2 <ul style="list-style-type: none"> • HQ based team with infrequent visits to the country; • Joint activities with FI aimed at dedollarisation of economy and increasing number of financial products in Kyrgyz Som
TFP <ul style="list-style-type: none"> • HQ team with RO bankers and ASB team co-ordinating inputs for specific clients as required; • Circa 14-15 operations per annum; • Offer of Green TFP and "Trade ready" programmes aimed at building capacity of local exporters and importers

Among the activities in the period 2005-2017 that contributed to the competitiveness dimensions are:

- Support to the Credit Bureau, including implementing credit scoring training, banking supervision and deposit insurance;
- LTT's support in developing the Pledge Law;
- Development of Local Currency Financial Mechanisms since 2010, including the launch of the ETC Local Currency Risk Sharing Special Fund thanks to the access to Currency Exchange Fund (TCX); MoU with the national authorities; capacity building for PFIs and authorities; further support from IFCA in risk sharing facilities for MSMEs;
- A TC project to support KFSF – Kyrgyz Republic Financial Sector Framework – building the capacity of PFIs' personnel to deliver a range of services for various financial products;²¹
- Participation in KR's Leasing Committee, pushing for tax reforms that can unlock the leasing market
- A TFP with four PFIs in KR: Bank of Asia, Demir Kyrgyz International Bank, KICB, Optima Bank; this includes training and capacity building activities (jointly with ASB). A green TFP pilot was launched in KR in 2016 for importing energy and resource efficient equipment and materials, and is offered to KyrSEFF and FINTECC clients.
- Successful implementation of two stages of KyrSEFF for a total amount of US \$40 million with strong demonstration effect for residential and non-residential sectors and enhanced capacity of local PFIs to offer similar products independently (see Box 1 below);
- Successful use of the FINTECC facility (2013) which offered grants (funded by GEF, budget for ETC region at the level of US \$7.85 million) to a number of private sector operations in agribusiness and construction; introduction of best available techniques and practices.

²¹ [http://boldnet2.ebrd.com/v3_docs.nsf/0/A5F2486A70DD1AB98025772F0034514C/\\$FILE/BDS10129.pdf](http://boldnet2.ebrd.com/v3_docs.nsf/0/A5F2486A70DD1AB98025772F0034514C/$FILE/BDS10129.pdf)

- Microfinancing: since 2005 the EBRD has provided credit lines for a total of US \$32 million (2012), supporting four microfinance institutions in KR: Kompanion Microfinance, MolBulak Finance, FINCA and BaiTushum – with average loans of US \$400-500.²²

Box 1: KyrSEFF Case

KyrSEFF was built on the foundation of a prolonged period of policy dialogue between the EBRD and the Kyrgyz government, commencing in 2008-09 when energy efficiency in buildings was identified as a priority area by E2C2. The EBRD engaged with the relevant government bodies to address regulatory gaps, and by 2011-12 a new legislative framework was in place, based on a transposition of the EU Building Directives 2002/91/EC and 31/2011/EU. This prolonged period of targeted policy dialogue provided a solid foundation upon which the facility was structured, with KyrSEFF intended to reinforce the implementation of the legislation as well as providing valuable feedback from the market on any areas where further fine-tuning might be required.

The first phase of KyrSEFF, with a total budget of US \$20 million, was approved by the board in 2012 (BDS12-273) and the second phase, with an additional US \$35 million – in 2016 (BDS16-104). The facility included €6.8 million of grant funds from the EU IFCA, for both TC and incentive payments to sub-borrowers and PFIs. The level of incentive payments to sub-borrowers was stepped according to sub-project performance (10-20% for the business sector and 20-35% for the residential sector), while PFIs received a success fee of a flat 3% of the loan amount.

KyrSEFF I provided seven loans to four PFIs and achieved all of its transition impact objectives, with a strong market demonstration effect and transfer of skills. The use of smart incentive payments and the TC provided have been strongly complementary in helping to motivate and enable sub-borrowers to choose the best performing materials and equipment on the market.²³ Complementary activities of ASB team and TFP facility contributed to the overall result.

2.4. Inclusion dimension

Inclusion, particularly integrating women, young people and residents of remote areas in economic activities, is a significant dimension of creating market opportunities in the countries of Central Asia, including the Kyrgyz Republic. Not only are they related to creating new jobs and enhancing skills, they also contribute to reducing tension and improving the security situation, which is particularly challenging in the southern regions of KR. The EBRD has a number of activities in this domain.

Gender. The Bank started mainstreaming gender issues in its operations in 2014 – with the adoption of the Gender Strategy and recognition of the wide range of challenges faced by women in most COOs. Usually gender challenges are identified during the design of “classic” investment projects. In the Kyrgyz Republic it was a critical mass of projects in the water and public transport sectors that led to more systemic thinking and consequently a dedicated stream of gender related activities. In 2015, in the framework of the donor-funded TC, the Bank prepared the Report on Legal Barriers to Women’s Participation in the Economy in the Kyrgyz Republic which identified circa 400 professions that were prohibited for women due to outdated legislation. It is now working with the Ministry of Labour and Social Development and other agencies on removing this barrier, which according to the study could add up to 0.4% to GDP growth.

In terms of the Bank’s investment activities, it is the MEI portfolio that features the greatest inclusion of a gender component in projects. The recently-appointed Gender Focal Point for Central Asia is a principal banker from the MEI team, based in Bishkek RO.

²² <https://intranet.ebrd.com/how-a-small-amount-can-make-a-big-difference>

²³ EvD (2015) SEFF Special Study Report – available at ebrd.com

Regional disparities. The Bank has limited instruments for contributing to the spatial cohesion of the Kyrgyz Republic, due to its complexity and the focus of the Bank's mandate. However it does employ a number of instruments that contribute to this greater goal. In particular, KR has the oldest network of regional ASB offices among all countries of operations. Two ASB offices – in Osh and Karakol – approximate the Bank's financial resources and advisory services to local population and entrepreneurs. Jointly with SECO the Bank has successfully directly invested in a small food industry company in the southern region of KR. Also, as per the recommendation from the Bank and the GoK, the Investment Council has launched a regional IC initiative (see chapter below).

3. Process: Efficiency of the EBRD's IC Support Activities

3.1. Bank's approach to IC related activities

Working in KR, a country with strict IMF requirements of concessionality, poses many challenges for the Bank's core operations, as it significantly limits the exposure potential. The large share of the public sector portfolio with sovereign guarantee leaves little room for manoeuvre, and with the small number of bankable private sector clients and nascent PPP milieu, the operations are challenging to design and approve. It is thanks to generous donor funding – both TC and non-TC – that the EBRD's activities in KR over the last decade have expanded and obtained the potential for sector and regional impact. KR is one of the biggest recipients of the ETC Fund. It is also one of the biggest recipients of the SSF where total allocations in 2008-2014 were at the level of €28 million. The allocations are in line with the scale and scope of the transition challenges faced by the country.²⁴ The funding contributes to developing new segments of the market – through building a legal and regulatory base – where the EBRD's investment could be expanded. Long-term policy engagement on energy efficiency and consecutive growth in EE portfolio is a good illustration.

In the Kyrgyz Republic, a country with a strong vertical distribution of power but a wide range of competing institutions that are not always in sync, the Bank is successfully pursuing a two-pronged approach to policy dialogue. It is where technical and procedural issues are discussed in great technical detail and agreed by bankers and mid-ranked public officials; but where all decisions are taken at the highest bureaucratic and political level by the Country Director and senior EBRD management.

Institutionally, prior to 2015 the work on policy dialogue and engagement on the business environment was co-ordinated by the ETC team based in HQ. Since the launch of the Investment Climate and Governance Initiative in 2014 this role has been performed by the London-based Governance team in the EPG Department, which at the time of evaluation had no presence in the RO (neither permanent staff nor CCT position).²⁵ In this setup the role of the Country Director, supported by RO bankers and technical experts, is critical for day-to-day engagement. They are pushing forward the reforms necessary for implementing EBRD investment projects in particular and for the growth of the economy in general.

Outside banking, where municipal infrastructure and financial institutions projects dominate over corporate, with the great role played by ASB and more recently SBI, there are a number of policy teams that play a crucial role in pursuing investment climate-friendly reforms and initiatives. These teams have no RO presence and their activities are largely co-ordinated by the Country Director and senior bankers. There was no evidence of overlapping and inadequate information sharing, although it was noted by several bank counterparts that internal co-ordination between the sector and regional banking teams could be improved, for example through more regular (i.e. more than once a year) meetings between the sector MDs

²⁴ Information Session: EBRD's SSF Portfolio analysis SGS15-048 (Addendum 1) -

[http://boldnet2.ebrd.com/v3_docs.nsf/0/91AA7CB744A9B95D80257DF200364593/\\$FILE/SGS15048a1xx.pdf](http://boldnet2.ebrd.com/v3_docs.nsf/0/91AA7CB744A9B95D80257DF200364593/$FILE/SGS15048a1xx.pdf)

²⁵ Governance lead expert for Central Asia will be temporarily assigned to Bishkek RO from August 2018 for the period of 12 months

and the country director. It would contribute to more synergic planning of the year(s) ahead, and also positively affect administrative issues, such as HR.²⁶

The scale of the country – a small market with a very small private sector beyond family-level firms – while presenting a challenge to generating big ticket operations, is very conducive for innovations and synergies, when various teams – banking and policy – pull together to address a complex challenge. When there is a persistent, long-term, well-resourced partnership with sufficient feet on the ground, the results are really positive and sustainable.

For example, the work done jointly by the E2C2 team and RO bankers on the energy/environmental standards of buildings resulted in the adoption and enactment of the Law of Energy Performance of Buildings (2012) and secondary legislation (ongoing). A TC project funded by the SSF supported the work of the State Agency of Construction and Architecture, while the Slovak Trust Fund provided resources for capacity building activities (ongoing). The Law is one of the most progressive in the former Soviet Union region and prompted developers and construction companies to change their practices with the aim of reducing energy/resources consumption and costs. An ongoing joint LTT/E2C2 project (funded by the SSF) provides further support in developing secondary legislation and ensuring consistency between the Law on Energy Saving and the Law of Energy Performance of Buildings.

Equally, advice delivered through facility/framework activities, such as FINTECC resulted in more advanced knowledge of modern technologies, know-how and materials that could be used in traditional sectors of the Kyrgyz economy – mining, agriculture, construction, tourism, etc.

3.2. Support to the Investment Council

The EBRD's flagship initiative in improving the Kyrgyz investment climate is the support to the Secretariat of the Investment Council.²⁷ This consultative body was established in 2007 to support the Kyrgyz Republic in developing and implementing state policy in this area. Until 2010 the Council was chaired by the President and had a limited number of member business associations (seven). After the Second Kyrgyz Revolution in 2010 the Council was re-subordinated to the Government of KR, with a special Decree issued in 2010 to stipulate the advisory and consultative role of the Council and its rules/procedures.²⁸ The Council is chaired by the Prime Minister and among its members are the Deputy Prime Minister responsible for Economic policy, the Minister of Economy, the Head of the Economic Department of the president's Office, three MPs, and representatives of other public agencies depending on the issues considered at the council meeting. Currently there are 57 member business associations that take part in Council meetings on a rotating and as-needed basis. Donors and IFIs (including ADB, UN, USAID, JICA, DFID, GTZ, SECO) have two places at the Council, the EBRD having a permanent seat with other donors participating in the meetings on a rota basis.

The Kyrgyz Republic was one of the first countries where the EBRD supported the activities of the IC's Secretariat. As the EBRD's own resources are very modest in this area, most of the IC's activities are financed by donor funding – through the SSF, EU or bilateral donors such as DFID, SECO, USAID etc. The EBRD administers donor funding and is responsible for selecting the local consultants (including the Head of the Secretariat) and managing their contracts (currently 2-year fixed contracts). There is separate financing for the Secretariat's operational cost through the account of the locally established NGO "Support to Public-Private Partnership". There is no Government financing for the Secretariat, due to the fears of the Council losing its independent and neutral status. So far businesses have not made any financial contributions towards the costs of Secretariat, although there were discussions about modest contributions, which however could not substitute existing donor funding. Therefore the issue of financial

²⁶ There is a persistent challenge not unique to KR in a way the banking staff is managed. Those up to the principal level are managed by the country director, while senior bankers are managed by sector directors based in HQ. Sometimes contradictory instructions from sectoral and geographical matrix cause frustration and undermine productivity. These issues were analysed in EvD's recent special study of Residential Offices (2016) and recommendations to management were made.

²⁷ Full name - The Council on Development of Business and Investment under the Government of the The Kyrgyz Republic

²⁸ Resolution No 149 of the GoK, 5 August 2010

sustainability remains significant and at the moment of evaluation there were no indications of any potential substantial change in the funding model.

The average annual budget of the IC Secretariat is around €200,000 with 5-6 full time staff working in it consistently. The most recent TC project to support the IC Secretariat was approved by the EBRD in 2015, for a period of three years (from January 2016 to December 2018). Its activities were significantly ramped up after a thorough systemic review performed by the Governance team in the middle of 2015. After extensive consultations with businesses and the government it was decided to strengthen the Secretariat's expert capacity and two new experts were hired in order to enhance the engagement with the parliament and to develop the network of regional Investment Councils. The later position was initially funded by a USAID short-term grant, while others are covered by the core budget (initially funded by the SSF and since 2016 – by DFID). It should be noted that the Secretariat fills an important gap – the lack of expert capacity in KR, including in business associations and government agencies. It provides high-quality expertise and analysis support – a very valuable and highly additional activity. At the time of evaluation (mid-2017) the Secretariat had eight full time staff members, three of which have been working since 2007.

The Secretariat has its own office with all necessary facilities in the centre of Bishkek.²⁹ Its location outside the Government premises and outside the EBRD office is one of the attributes of its independence. However, during the review, some suggested that co-locating the Secretariat with the EBRD's RO in Bishkek might enhance its connectivity to other relevant EBRD activities, improve the productivity of its staff and ensure greater accountability.

In addition to the “core” donor funding, the Secretariat also receives funding from other donors and IFIs for specific projects and activities, such as conducting analysis, surveys, or organising events. Among the donors directly supporting the Secretariat's work are the EU Delegation, OSCE, ADB, GTZ, SECO, etc. These activities and funding are considered as positive features of the diversification of funding sources and potential sustainability, although the fact of the matter is that the Council is fully dependent on donor funding.

The process of selecting, contracting and managing the work of consultants is currently performed by the key governance team member and the country director (previously it was done by the ETC team), with technical support from HQ operational departments. Recently the governance team has enhanced its expert capacity and there was a reallocation of TC projects among team members. There is a designated country officer, which is a positive feature that allows building a greater understanding of the country context and productive dialogue with the local counterparts.

The creation of first regional Investment Council in Jalal-Abad in 2016 and subsequently investment councils in all Kyrgyz regions under the umbrella of the IC was a positive step aimed at addressing the problem of substantial regional disparities and the need to energise economic development outside the capital city of Bishkek. There is a dedicated expert based in the IC Secretariat who is leading the work on establishing regional ICs.³⁰

3.3. External partnerships

In order to understand the EBRD's role and competitive advantage in the country's investment climate support architecture it is important to understand the scale and scope of support provided by other major donors and IFIs working in this area.

The Kyrgyz Republic is supported by many bilateral and multilateral donors that work in various sectors. In 2015 the ODA reached 12% of the country's Gross National Income (it dropped to 8.2% in 2016). Some counterparts noted that due to the multitude of pressing issues and the weak capacity of the state institutions to develop and implement public policies, the reform agenda is often driven by the priorities of

²⁹ Evaluators visited the office during the mission to Bishkek in May 2017

³⁰ Initially this position was created thanks to short-term USAID funding (see ICGI's Assessment of Kyrgyz IC, September 2015)

core donors, such as WB, IFC, ADB, USAID, Eurasian Development Bank, etc. In a way the reform agenda is “donor-captured”.³¹ It means that some important issues might be omitted, which has a negative effect for the economy and governance as a whole.

Among the donors that are the most active in the areas related to or closely affiliated with support to the investment climate improvement are the World Bank and IFC, ADB, USAID, EU, GIZ, SECO and DFID. For many years their activities have been concentrated on developing new legislation and the success measure matrix was biased towards adoption, with little focus on implementation, which is traditionally of poor quality. It is due to the aforementioned lack of co-ordination among various branches of power and agencies, overwhelming bureaucracy and low technical and managerial capacity that implementation is dragged down. Over the last two years the donors’ focus has shifted towards implementation, and specifically using IT solutions for streamlining the provision of public services and decision making. Taza Koom – Smart Society – is a wide-scale national concept launched by the Government in 2017, and supported by the EBRD, as one of the components of the forthcoming National Strategy for Sustainable Development 2040. Its idea is to achieve sustainable and dynamic economic growth and enhancement of human capital through introducing IT solutions and enabling digitalisation in all sectors of economy and social life.

Some donors are already supporting IT-enabled solutions that simplify the business environment, specifically in such areas as taxation, permit and licencing, audit, procurement, export etc. For example the IFC is supporting the Government in introducing a risk-based approach in relationships with companies. It means rather than conducting “blanket” checks and audits, the regulatory agencies are now conducting them for the risky businesses. The automated solution based on 30 criteria helps to develop a list of the most vulnerable companies that are then checked/audited. The instrument was developed in the framework of the IFC’s Central Asia Investment Climate Programme (supported by SECO and DFID) which is aimed at reducing compliance costs for the private sector. At the completion of the programme in December 2017 it was noted that, due to the reforms, Kyrgyz businesses have saved US \$5 million in compliance costs and an additional US \$2 million due to the tax system reform, which was another component of the programme. Additionally, the IFC is providing continuous significant support to PPP (through advice and expertise provision), which was critical for launching the sole (for the moment) PPP project in the KR healthcare sector.³²

The EU provides significant support (also through IFCA, see EBRD activities in SME sector below), including through the Rule of Law programmes³³ and Central Asia Investment Programme, that is currently in its fourth phase. Their focus is on partnerships between business associations and chambers of commerce, with the objective of unlocking KR’s potential as an exporter with the GSP+ status (Generalised Scheme of Preferences) granted in 2016. Through a range of market studies conducted by the OECD on behalf of the EC around 6000 products were identified as potential exports to the EU market, at a zero tariff rate.³⁴ Kyrgyz agricultural products are among the top potential export goods to the EU market (and elsewhere), but the lack of technical infrastructure to ensure quality and standards is undermining this potential. The EU has launched a dialogue with the government on these issues. Also the EIB recently launched its activity in the country and the EBRD has played a crucial role in helping the Bank to build relationships with local counterparts, through its activities in the municipal infrastructure sector that are part-funded by IFCA grants.³⁵

The ADB is the biggest (sovereign) creditor in KR and does a lot of work aimed at unlocking the country’s potential through investments in infrastructure and economic inclusion. It implemented several programmes aimed at improving KR’s investment climate, including the First (2008) and Second (2016)

³¹ Interview with the international stakeholder

³² IFC supported the Ministry of Health to develop a PPP project for provision of dialysis services, for which a German company was selected as the result of a competitive bidding process. <https://ifcextapps.ifc.org/ifcext/pressroom/ifcpressroom.nsf/0/FA95AB2C75AAD1BE8525817E004B4347>

³³ The most recent Rule of Law Programme till 2023 is being implemented by GIZ

³⁴ Three studies conducted by the OECD were on (1) the textile industry; (2) credit for storage of agriculture products; (3) value chains in agribusiness

³⁵ EIB has launched its first water facility in 2016 with the total budget of €20 million which is also co-funded by IFCA and administrated by the EBRD.

Investment Climate Improvement Programmes. The second Programme's budget is US \$12.5 million with large components dedicated to private sector participation/financing and PPP in the infrastructure sector. Jointly with the WB and IFC it funded a substantial number of TC projects aimed at building capacity and preparing legislation in the PPP sector (the Kyrgyz Law on PPP was approved in 2012) and now focussing resources on implementation, which still remains weak. Despite significant financial resources from IFIs, including for the establishment of the Project Development Support Facility (PDSF),³⁶ there is only one PPP project at the stage of implementation. The ADB also has a Trade Finance Programme with three local PFIs which was inspired by the success of the EBRD's TFP.³⁷

Other IFIs, just like the EBRD, are relying on donor funding for IC-related activities. The most dedicated bilateral donors in this domain are Switzerland, Germany, the UK and Japan.³⁸

The evaluation team has found that there are established donor co-ordination mechanisms in KR, however they are usually led by donors, as the Government lacks the necessary capacity. There is the officially established Development Partners Co-ordination Council (DPCC) with various sector groups. The opinions of international partners on the efficiency and effectiveness of co-ordination were diverging. Some noted that practical project-by-project co-ordination is weak and always reliant on personal networks rather than an established institutional setting. Overlaps and duplications are not rare.³⁹ Some suggested that in the private sector development sector (PSD) co-ordination is strong at the project level and the group led by GIZ convenes regularly to enhance the synergy of actions.

The EBRD collaborates with all the above mentioned key IFIs and donors. The EU, SECO and DFID, as well as multi-donor funds (ETC Fund) are critical donors for the EBRD's flagship investment programmes in KR – SBI (and its predecessors), KyrSEFF, risk-sharing facilities for PFIs, municipal infrastructure projects. Donors (DFID, SECO, and the EBRD's own SSF) are crucial sources of continuous funding for the Secretariat of the Investment Council and LTT's work, which in turn are closely co-ordinated with the initiatives of other international counterparts. For example, LTT's work on new procurement legislation and the launch of an e-procurement platform accessible to SMEs (funded by the SSF) is done jointly with the ADB. Many international partners, particularly the WB, are providing support for the above mentioned Taza Koom framework, and the EBRD's emerging role is crucial in such areas as supporting the introduction of business e-registration, e-notary and e-patent services, that will enhance deregulation.

Despite its aggressive entry and fierce competition, the EBRD has established good working relations with one of the newest financial institutions working in KR – the Russian Kyrgyz Development Fund (RKDF). By offering much cheaper loans en masse - through local PFIs and directly to businesses - the Fund has managed to decrease interest rates across the entire financial sector, which negatively reflected on the volume of operations in some of the EBRD's frameworks and facilities (for example the recently launched MSME facility has so far had low demand). Many international counterparts noted that Fund's activities are crowding out the private sector, which is negative in the long run. However its increasing work stream through PFIs, rather than through direct lending, might potentially have a positive impact on the market, although there is uncertainty about the sustainability of the Fund's work in KR and what might happen after its exit/change of pricing policy.

Some international partners highly commended the EBRD's approach to working with the Fund. They noted that the Bank made a much bigger effort than others in building good working relationships with it. There was an opportunity to find complementarity in the EBRD's and the Fund's activities. The latter does not offer consultations and advisory services to clients, while the EBRD has built a solid base for BAS and EGP advisors. As many (if not most) of the Fund's clients require support with corporate governance, financial reporting, independent audits, quality controls etc, the EBRD is offering them advisory projects. Some

³⁶ According to the PPP Unit of the Investment Promotion Agency, in 2014 US \$2 million was allocated to PDSF, in 2015 and 2016 – US \$1 million each - <http://www.ppp.gov.kg/en/financial-instruments/project-development-support-facility/>

³⁷ <https://www.adb.org/sites/default/files/publication/59620/kgz-2016.pdf>

³⁸ Particularly after KR severed the accord with the USAID in May 2015

³⁹ An example was given of when the IFC and USAID separately prepared two laws on licencing.

clients do chose the EBRD as a financier, due to the reputation and risk profile they pursue as part of their growth strategies.

Box 2: Russian Kyrgyz Development Fund

The Fund was established in November 2014 with the total capital of US \$350 million. It collaborates with 13 local banks (PFIs), out of a total 25 operational in the country. Those banks have a network of circa 340 local branches across the country that offers good penetration. The Fund also intends to collaborate with microfinancing institutions across the regions of KR.

The Fund only works with the private sector and invests in agribusiness, light industry, machinery and municipal infrastructure. The bank offers a maximum margin of 5% through PFIs and 4% for directly funded projects in FOREX, while in Som the margin is 12%. The main challenge is the small size of local companies, most of which are not bankable. The Fund's entry into the market led to an overall drop of margins from 18-20% to 7-10%.

In the middle of 2017 the Fund had 710 projects with a total invested volume of US \$220 million. There are 27 large projects with an average loan size of US \$4-4.5 million. Projects below US \$1 million are financed through PFIs, while those above US \$1 million are financed directly by the Fund.

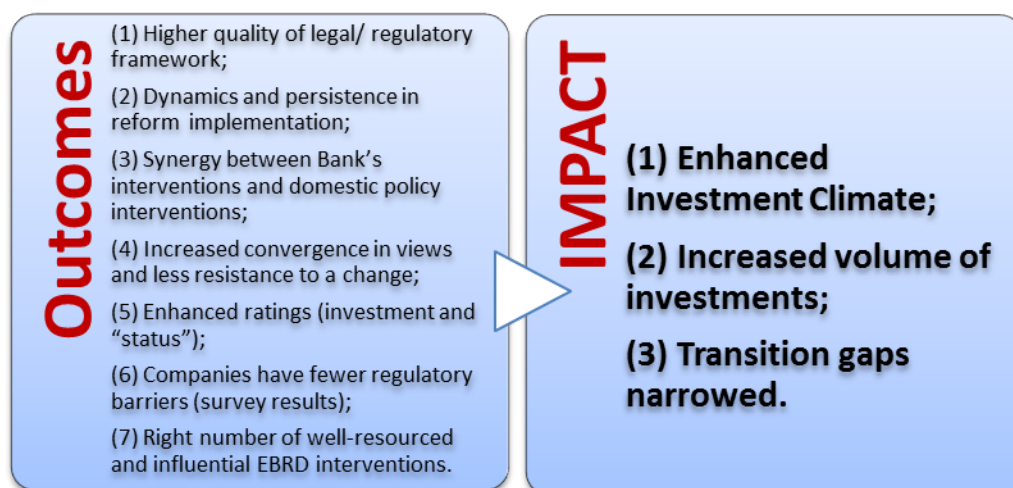
Since 2017 the Fund has aimed to attract more investment and offers guarantees for bilateral financiers from such countries as Czech Republic, Turkey, Austria, Russia (Russian Exim Bank). The EBRD and the Fund have four joint projects, where financing is provided in parallel, rather than jointly, due to the divergence of procedures.

The Fund's activities are overseen by a board consisting of five members, and its executive board also has five members (a balance between Russian and Kyrgyz nationals).

4. Results: The EBRD's Contribution to improved IC

According to the logical framework designed for this special study, the results of the EBRD's interventions with the objective of improving the investment climate could be identified at the level of the outcomes – sector and economy wide effects of the specific activities and investments – and at the level of impact (see Chart 3 below). While it is realistic to claim the attribution for some outcomes, the EBRD's scale of operations in KR only allows the discussion of a contribution to the impact – the objectively verified improvement in the investment climate, increased volume of investments and narrowing of the transition gaps.

Chart 3 Outcomes and Impact of the EBRD's activities in the IC sphere



In the last decade the Kyrgyz Republic achieved progress in creating a more attractive investment climate, and some successes, considering the low starting point, are striking. It has shot from a DB rating of 81 in 2005 to 41 in 2010, although since then the progress has backtracked to 77th position (2017). The change in DB's methodology does not allow a comparison of the distance to frontier scores, however in 2010-2017 (when consistency did exist) the DTF score improved from 61.69 to 65.7. The volume of FDIs as a percentage of GDP increased from 2% in 2005 to 7% in 2016, with a single year peak of 17% in 2015 (due to investments into one company, an EBRD client). Local businesses are more optimistic about investing in expansion and new ventures and the chronic problems of 10-20 years ago – criminality, cumbersome tax and customs system – are not the primary concern anymore.⁴⁰

However the challenges remain significant and some stumbling blocks in critical areas and industries prohibit large scale growth and diversification of the economy that since 2005 remains largely dependent on low-value-added products of mining/quarrying and agriculture. One single enterprise – Kumtor Gold mine – is the largest contributor to the national economy, as it was two decades ago, while the share of remittances from labour migrants working abroad (mainly in the Russian Federation) increased to around 30%.

Transition gaps in KR remain large, especially along well-governed and competitive dimensions. The Transition Report 2017-2018 revealed KR's average levels of performance in green, inclusive and integrated dimensions (for all EBRD countries) and above average on integrated. Again, a change in methodology precludes a consistent comparison with the much earlier periods, but Transition indicators from the 2005 TR illustrated success in privatisation (large and small scale), price liberalisation and trade and FOREX system reform, while the infrastructure sector, competition policy, banking and non-banking sector reforms scored very low. Between those two control points there is a large amount of work done by the government and international partners, including the EBRD. **Therefore the EBRD's contribution to achieving a better investment climate (impact) was substantial in the areas where it has to offer expertise, however as the overall improvement is not dramatic, the contribution in absolute terms could not be characterised as very successful.**

At the outcomes level the success is more tangible and the EBRD's contribution is more substantial. The chapter above presented the EBRD's concentrated and diverse package of activities that targeted key constraints for private sector development. The Bank was crucial for improving access to finance through supporting systemic reforms in banking and non-banking sectors (joint work of banking teams and LTT),

⁴⁰ In BEEPS V criminality was not in top five challenges, while in BEEPS IV and III it was the number one concern of the businesses

offering affordable financial products to local companies and gearing them up to address key challenges (high energy intensity, low technical standards, inadequate quality for export markets) (joint work of banking, ASB team and TFP team). The Bank was critical for unlocking the potential for energy efficiency in KR – with the adoption of framework law, secondary regulations and built capacity it enables thousands of businesses and municipal entities to invest in modern technologies and the best available equipment, and enhance their productivity through reducing losses and waste.

The Bank's dedicated work in the area of enhancing corporate standards in large and small private companies and in SOEs is remarkable. It created true leaders in the sectors, although the small scale of the market means that replication is limited. Its parallel work with the regulators has built up capacity in the financial sector, export and procurement, municipal utilities, that indirectly improves the investment climate in the specific municipalities.

On the outcome level KR clearly improved its regulatory and legal framework. Laws and regulations are of high quality and often correspond to the best international practices (for example in business registration, permit issue and licencing, inspections and audit, public procurement, energy efficiency in public buildings etc.) In order to streamline efforts to enhance investment attractiveness and trade liberalisation, the Agency on Investment and Export Promotion was established with the objective of bringing under one roof all services needed by potential investors and exporters. In many instances modern ICT tools and instruments are used to simplify the regulatory environment and to make it accessible – this is one of core elements of recently launched Taza Koom (Smart Nation) strategy for KR. With support from the donors and IFIs the Government has established an e-procurement system, introduced web-enabled solutions for tax administration, Single Trade Window “Tulpar” and the Customs United Automated Information System. There is a range of e-governance initiatives that led to the digitalisation of 373 public services and the issuance of 96 permits, while improving inter-departmental cooperation through the IT system “Tunduk”. A number of newly approved laws open way for digitalisation of public services in such areas as notary and intellectual property rights. The Government performed a large scale reform ‘Systematic Regulatory Review’ that formally cut regulatory constraints for businesses, it also established a number of strong public-private dialogue platforms (PPD).

Since 2010 KR has created powerful channels for expressing and delivering the opinions of the business community and the general public in the process of formulating policy. Members of parliament, government officials and the president's office have become more accessible and accountable to citizens. The government has continuously prioritised the most important economic and social issues, although the danger of protests and social unrest has often precluded it from taking the radical steps necessary for enhancing the competitiveness of the economy. For example, continuous public discontent due to the perceived environmental damage, as well as chronic unresolved economic and social issues in the regions, led to work being disrupted in several gold mines. As mining and quarrying remains the largest sector of the economy, this has immense negative effect on the country's investment attractiveness. Also, despite all the positive trends in legislation and regulation, the issue of practical implementation throughout power vertical remains unchanged since 2005, despite all good intentions. In all areas of economic policy (and otherwise) the implementation remains uneven, tinted with the high level corruption, irresponsible behaviour of businesses, and a significant share of informal economy. On the latter the Bank has recently launched TC project aimed at creating a realistic action plan for reducing the share of informal economy.

It is important to have a closer look at the impact of the EBRD's activities in the area of improving the governance standards in public institutions and enhanced mutual understanding between public and private sector through PPD platform. Therefore chapter below specifically discussed the results of the decade-long work on supporting the activities of the Investment Council.

Results of Investment Council's Activities

During seven years of its active work (since 2010) the Secretariat has provided substantial inputs into developing the essential regulatory acts and pushing for their implementation by the Government. It also

provides a largely absent but badly needed expert capacity in this sphere. It built robust planning processes, administrative structure, engagement and communications with the government and businesses, as well as M&E framework. However consultations with the local businesses and EBRD colleagues indicate that Secretariat's activities require some "re-energising" which is best achieved through a greater engagement with the private sector.

Operational procedures of the Secretariat might be reviewed in order to enhance its productivity and impact, as well as more complementary contributions to the activities of the GoK and the EBRD. Less formalistic approach to monitoring the results and reporting the achievements will be beneficiary, as currently the Secretariat has somehow procedure-oriented results framework, rather than the one aimed at achieving concrete changes in the country's investment climate.

Reported outcomes of the Council's work in 2007-2017, include:⁴¹

- 144 improved initiatives and 130 of those being implemented (83%);
- 53 laws approved;
- 7 presidential decrees adopted;
- 73 government regulations adopted;
- 37 working groups created.

Although EvD recognises that the attribution of higher level impact is challenging in the complex governance and politeconomic system, however there should be a strive to measure contribution⁴² in a more meaningful way that demonstrates the link between the specific regulation approved/ government action taken and the economic effects at the sectoral/regional/national level.

The dispersed political system creates some challenges in terms of institutional responses. One of those is related to the activities of Investment Council – a structure that is subordinated to the GoK but having no relations with the Parliament beyond symbolic. It means that many decisions of the Council, that are in the area of responsibility of the parliament could not be enforced, as there is an ongoing struggle between the Cabinet and the Parliament. In the 2015 review of the IC's activities, the governance team recommended harnessing the collaboration with the parliament and outlined potential for the Secretariat to play a similar supportive role for the parliamentary structure.⁴³ A dedicated expert responsible for liaising with the parliament was recruited. However the recent developments in the PPD infrastructure illustrated that these actions were not sufficient.

To fill in the gap in relationships between the business community and parliament the former initiated the establishment of the Council on Business and Entrepreneurship Development under the Toraga (Speaker) of the Jogorku Kenesh (Parliament) of the Kyrgyz Republic in January 2017. Its objective is to improve communications between parliament and the business community, and to enhance their effectiveness. It means that rather than expanding the scope of work and membership of the existing Council (that formally includes three members of parliament), the local stakeholders decided to create a separate body. It is also in the process of setting up a secretariat, with the donors' support. Specifically, DFID is financing expert support of the parliament's council – while being one of the main donors of the Secretariat of the Council under the GoK. In order to ensure smooth cooperation between the two councils they have recently signed the MoU on co-operation. There is a question as to how rational it is for the donors and IFIs to support the activities of bodies with overlapping authorities and scope of activities. And although there should be a deep understanding of the (challenging and multi-faceted) political climate, the question is whether the international counterparts, while providing their financial and technical support, should still integrate into the process some triggers and "nudges" that would eventually stimulate local counterparts to start talking

⁴¹ Based on presentation of the Kyrgyz Investment Council's Secretariat at EBRD's Conference for Investment Councils organised in London on 2-3 March 2017

⁴² This additional activity might require additional funding internally and for the Secretariat of IC

⁴³ "Kyrgyz Investment Council. Assessment and Recommendations for Enhanced Approach", ICGI internal document, September 2015

to each other and form wide platforms/coalitions of like-minded actors willing to improve the business environment in the country.

The efforts aimed at enhancing the investment climate in KR over the last decade were significant, but inconsistent, patchy and with a poor track record on implementation. While KR's leadership is very clear about the objectives for the country's economic and social development, its commitment to implementation is not always visible, and the lack of transparency further enhances the perception of rampant corruption from top to the bottom. Various stakeholders suggest that in order to achieve the sustainable development objectives first declared in the National Strategy for Sustainable Development 2013-2017 (NSSD) and now in NSSD 2040, and to reinforce its commitment to an open and competitive market economy, the government, jointly with business and civil society needs to invest a great deal of effort and resources in implementation plans and resources for enhancing organisational capacity.

5. Conclusions

The evolution of the investment climate in Kyrgyz Republic over the last decade has not been smooth and has been influenced by a number of internal and external shocks. Although disruptive, these shocks have also produced positive impulses, particularly in the aftermath of the 2010 Revolution. Feedback from the EBRD's clients confirms that there are fewer problems, a more investor-friendly legal and regulatory environment, and more opportunities to invest in new and existing enterprises. A number of reforms aimed at improving the investment climate have been introduced, specifically in the areas of business registration, streamlining of the license and permit system (in particular construction permits), property registration rights, technical standards and national quality infrastructure, etc. These are the areas where KR has traditionally been positively assessed in various international ratings; they are in the Government's focus and, in a way, define its actions. Particularly close attention is given to progress in DB, where the great efforts invested in 2009-2010 have been repaid with the encouraging ranking of 44 in DB 2011, the highest KR has ever achieved.

However, many significant problems persist and drag the country down in the major ratings that characterise the quality of the business environment and economic growth. The underlying security challenges related to social unrest, stark regional disparities, ethnic tension and border disputes, are aggravated by a complex mixture of vested interests. The political economy of engagement in KR is very fluid and challenging. The problem of overwhelming corruption at all tiers and in all sectors is particularly challenging. High-level corruption means that there is no political will to implement dramatic reforms aimed at enhancing transparency and integrity. It forces many businesses into the grey sector and fuels another major challenge – the large share of the informal economy, estimated to be at the level of 43% (2012).⁴⁴

The lack of substantial changes in the structure of the economy means that the Kyrgyz Republic is not resilient to external economic shocks. Crises in its biggest economic and trading partners immediately affect its economic situation and welfare. The limited diversification of the economy requires a high level of regulatory consistency in the core sectors – mining and quarrying. Unfortunately the ongoing conflict with the major foreign owners of Kumtor gold mine, which contributes 23.4% of country's industrial output and 8% of its GDP⁴⁵, has had a very negative impact on the overall investment climate in the country, deterring many potential investors.

Among the most quoted challenges impeding investments and the growth of private sector are: low quality control and inconsistent standards of products; weakness of institutional and technical capacity in many public agencies (specifically in fiscal, customs and standards areas); complex bureaucratic machinery without consistent co-ordination and many overlaps/gaps; skill shortages in the labour force. Since KR became a member of the Eurasian Economic Union (EEU) in August 2015 these problems have been further aggravated and are undermining industrial and agricultural output and export volumes compared to

⁴⁴ Data based on World Bank/UNDP study "Analysis of Informal Economy in The Kyrgyz Republic", 2012.

⁴⁵ Data based on <https://www.kumtor.kg/en/media-relations/contribution-to-the-kyrgyz-economy/>

the pre-2015 period. A combination of easier access to cheaper imported Russian, Belarussian and Kazakh goods and stricter quality standards for Kyrgyz export goods is a cause.

The EBRD's role

In the last decade the EBRD has significantly modified its approach to supporting investment climate improvements in Early Transition Countries (ETC) in general and in the Kyrgyz Republic in particular. With the prevalence of municipal and infrastructure sector operations and SME support operations in the EBD portfolio there is limited exposure to large corporate clients, which are not numerous in the country. Therefore the sector impact of specific investment operations through replication might be limited. Thanks to considerable donor funding and SSF financing, the Kyrgyz Republic benefits from significant amounts of technical co-operation projects (TC) and concessional financing (see dashboard). In many EBRD projects there are significant components aimed at improving corporate governance standards, improving the legal environment, and building capacity. Additionally, the mainstreaming of gender and economic inclusion in the Bank's activities is increasing, as well as initiatives aimed at enhancing the transparency and accountability of the public sector and its services, which should help to reduce the informal sector of the economy.

At the heart of the EBRD's institutional support to improving the investment climate in the Kyrgyz Republic is the continuous support to the Secretariat of the Investment Council (Business Development and Investment Council) established in 2007. The Council plays an important role in enabling public-private dialogue in the country, developing the legislation and regulatory acts that are aimed at improving the investment climate, and monitoring their implementation. It is a unique platform that establishes a direct channel to communicate business concerns to the government agencies. However there is one significant challenge in the council's activities: its advisory status limits its influence and leverage on the implementation of reforms. In the current fragmented political system where there is often a lack of consensus between the parliament and the government, the Council's exposure to the legislative branch is very limited. The emergence of a second investment council under the auspices of the parliament at the beginning of 2017, although not a positive sign in an ideal governance architecture, is a practical necessity for carrying out legal changes which is widely supported by the business community. The MoU signed by both investment councils creates basis for productive co-operation.

Effectiveness of activities

The EBRD's position in the Kyrgyz Republic is strong and significant, despite the relatively small volume of investments (cumulative investments reaching €659 million as of 30 November 2017). As the scale of the Kyrgyz economy is relatively modest, the potential for the EBRD's transition impact, additionality and demonstration effect is substantial. It is not only through corporate lending that the Bank's role is significant – the relative size of corporate clients is such that they qualify for SME-type products, and thus SBI's activities in the country have special prominence and are quite advanced. Evidence suggests that a combination of EBRD advice and financing to companies, and the Market Development Activities (MDAs) contribute to improving the specific components of the investment climate.

Working in such a fluid and fragmented political environment as the Kyrgyz Republic demands particular awareness of the politico-economical context and challenges, continuous adjustment of the Bank's scope of activities and the nature of engagement in policy dialogue. A combination of a highly hierarchical culture and rigid governance structures with an active multi-party political life, with frequent and sometimes violent regime changes, requires a special approach – with good rooting at the RO level and high-level engagement – to combine the necessary status and the detailed knowledge of the context and political economy.

While recognising the unique context that shapes the scope and pace of reforms, the Bank and its international partners should be more proactive in generating interest among local counterparts for a deeper structural change and reconciliation of differences. It is especially important as the Bank can't

participate directly in the change process and therefore has to use instruments of indirect engagement and influence to achieve a desirable impact. The EBRD and donors supporting the activities of both the government's and parliament's investment councils need to consider the opportunities of integrating "nudge" elements into existing aid instruments.

As in many other countries of operation, the independent status and neutrality of the investment council comes at a cost. Being detached from the government's policy implementation process and not being closely connected with the Bank's very practical and technical activities and its high level policy dialogue aimed at improving the investment climate of the Kyrgyz Republic, the Investment Council is often of limited use to the local stakeholders (businesses in particular) and EBRD colleagues working in banking and policy teams.⁴⁶ This limitation was often mentioned in interviews with the evaluation team during the preparation of this case study. Therefore the issue of finding the right balance between neutrality and capacity to influence, especially for mature councils with years of experience, is important and requires the Bank's attention.

The EBRD has plenty of resources in the Kyrgyz Republic, but they are not sufficient for some streams of work, where the localisation of the Bank's expertise and stronger co-ordination might bring a stronger result. Specifically, the co-ordination of the Bank's policy dialogue and a number of governance initiatives requires significant inputs from specialised governance staff (with the team being created only relatively recently, in 2014). And while the RO has significant cadres of senior bankers with strong networking capital and knowledge, the HQ-based specialists for the majority of the evaluation period, lack the time and resources to deliver non-investment activities in time and in co-ordination with other international stakeholders. Policy engagement is mostly led by the Country Director, but it is a full-time task, additional to their main daily job. Co-ordination with sectoral banking teams, while characterised as sufficient, is not always timed in a way that allows synergy of inputs across various teams. The anticipated RO-based governance position, even temporarily, might harness the linkages between the Bank's mainstream activities in the country, delivery of the Bank's strategic policy priorities in line with the country's priorities. It can also approximate the activities of the IC's Secretariat, which in the views of many is too distant and not sufficiently used as a Bank asset in the country's governance architecture.

The evidence of internal learning and embedding lessons into future initiatives is strong at the personal level. However it is largely due to the presence of long-serving, highly committed local staff, rather than internal knowledge management instruments, that this legacy is ensured.

The area that requires improvement is a more proactive construction of the EBRD's brand based on its activities and achievements. The evaluation showed that in many areas where its inputs are critical the Bank is largely invisible. Other IFIs and donors are more resourceful and successful in leveraging their achievements to attract further interest to their work. The EBRD is thus losing vis-à-vis comparable institutions, such as IFC, in attracting resources, although the portfolio and pipeline of projects in the area of investment climate is significant.

⁴⁶ Conclusion based on the sample of interviewees presented in Annex 1

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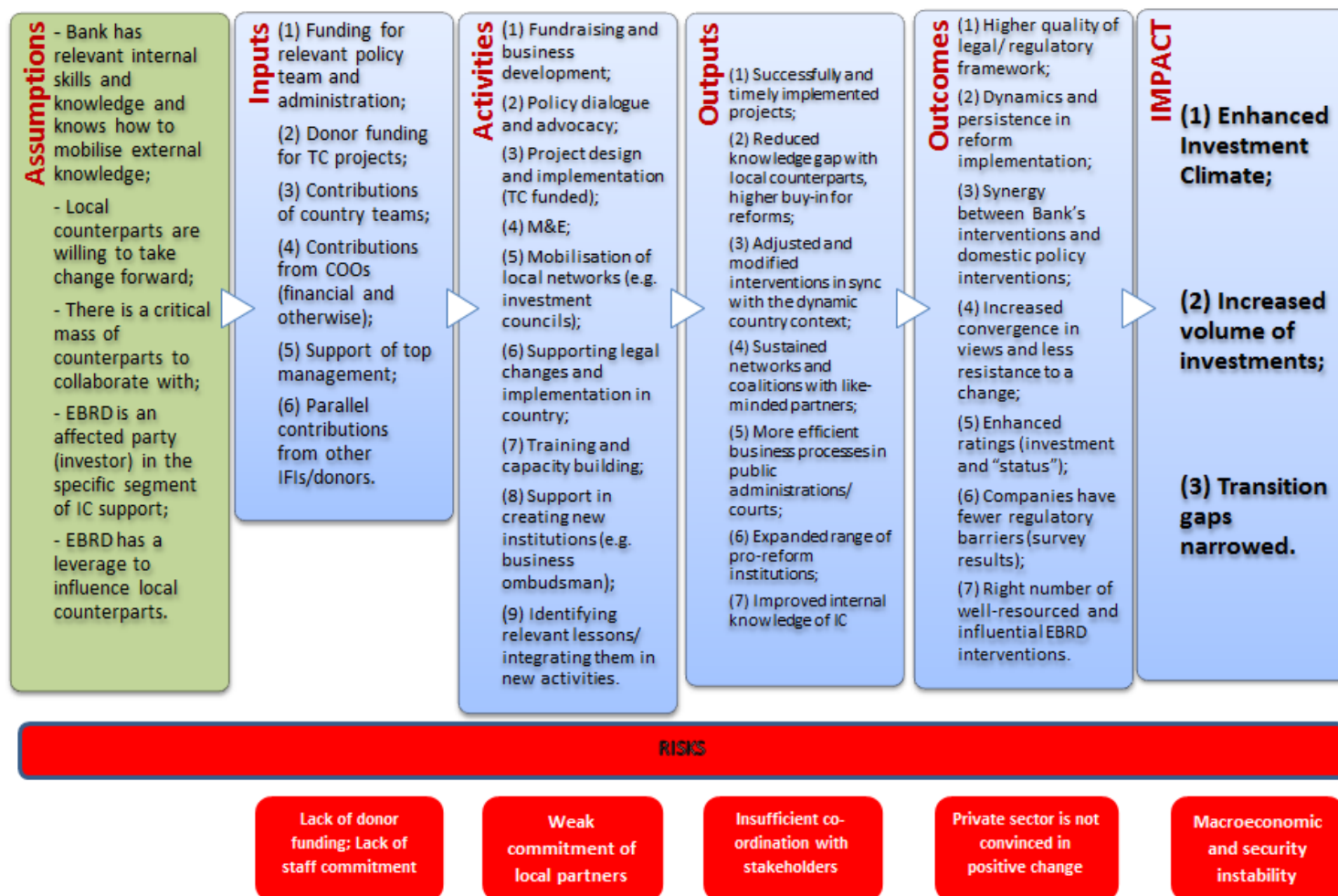
[ADB Kyrgyz Republic factsheet](#)

Annex I. List of counterparts interviewed in the process of preparing the case report

No	Name	Position	Organisation/Unit
1	Neil Taylor, Bakai Zhunusov	Head of Central Asia Programme, Principal manager for KR	ASB
2	Gulnara Yessentayeva	Principal Banker	MEI, Bishkek RO
3	Jyldyz Galieva	Senior Banker	Bishkek RO
4	Talay Asylbekov	Principal Banker	Infrastructure, Russia and Central Asia, Bishkek RO
5	Neil McKain	Director, Regional Head	Central Asia
6	Christopher Miller	Senior Private Sector Specialist	IFC/WB Investment Climate team
7	Kubanychbek Kulmanov, Erkin Asrandiev, Aymen Kasenov	CEO, Executive Board Member, Advisor to CEO	Russian Kyrgyz Development Fund
8	(1) Johannes Stenbaek Madsen, (2) Mia Dubois-Boussaid, (3) Tunzhurbek Kudabaev	(1) Head of Co-operation, (2) Project Manager, Co-operation Section, (3) National Programme Officer	(1) (2) EU Delegation in KR, (3) SECO, Swiss Embassy in KR
9	Askar Sydykov	Executive Director	International Business Council
10	(1) Shumkarbek Adilbek, (2) Sanzhar Bolotov, (3) Nurzhamal Mambetova	(1) Deputy Head, (2) Leading Specialist of Investment Policy and PPP Unit, (3) specialist at Department of External Affairs and Donor Aid	(1) State Agency for investment and Export promotion, (2) and (3) Ministry of Economy
11	(1) Albek Ibraimov, (2) Gennadiy Milititskiy, (3) Erkinbek Isakov, (4) Mirgul Chydyeva and many more!	(1) Mayor, (2) and (3) Vice Mayor, (4) Director of City Development Agency	Office of the Mayor of Bishkek
12	Denis Gaivoronskiy	CEO	Kulikovskiy LLC

13	(1) Talaibek Koichumanov, (2) Askat Seitbekov, (3) Tolkun Shakeev, (4) Kanykey Brimkulova and several more	(1) Head, (2) Economic and Financial Expert, (3) Legal Expert, (4) Assistant to the Head	Secretariat of the Investment Council
14	(1) Nurbek Akzholov, (2) Nurbek Mamasadykov	(1) Head of Unit for Program Support and State and Private Partnership, Department of International Cooperation, (2) Chief Specialist, Unit for State Investments Program	Ministry of Finance
15	Askarbek Toktoshev	Director	Department of Drinking Water Supply and Sewage
16	Olga Kan	Chairman	Institute of Management Consultants
17	(1) Uluk Kydyrbaev, (2) Aidar Kubanychbekov	(1) CEO, (2) Deputy Executive Director	(1) BizExpert, (2) Business Association JIA

Annex II. Results Framework of IC Study



Annex III. Key stakeholders in the area of investment climate

KR Government	Private Sector	IFIs/Donors
Executive Branch: Central Government Office: Vice Prime Minister, Department for Economy& Investments Ministry of Economy (MoE) & its key Policy Departments Investment Promotion Agency under MoE Trade Single Window under MoE Ministry of Justice Ministry of Finance- Public Procurement Department Ministry of Transport& Roads State Committee on Information and Communications Technology State Committee for Industry, Energy and Subsoil Use State Tax Service State Customs Service State Service on Financial Market Supervision State Service of Intellectual Property and Innovations (Kyrgyz Patent) State Registration Service State Agency on Mineral resources State Energy Agency State Agency on Environment Protection and Forestry State Antimonopoly Agency State Inspectorate on	International Business Council (IBC) Union of Entrepreneurs of Kyrgyzstan Bishkek Business Club National Alliance of Business Associations (NABA) Business Development and Investments Council under the Government Union of Banks of Kyrgyzstan Corporate Governance and Development Institute “Kalilkova& Associates” legal firm Analytical Center “BizExpert”	ADB AKDN DFID EBRD EU Delegation GIZ IFC ITC JICA OSCE Transparency International UNDP World Bank

<p>Environment and Technical Safety</p> <p>State Department for Disease Prevention, Sanitary and Epidemiological Surveillance under Ministry of Health</p> <p>Center for Judicial Representation of the KR Government under the Government office</p> <p>Semi-Government Bodies:</p> <p>Business Development and Investments Council under the Government</p> <p>Regulatory Reform Council under the Government</p> <p>Legislative Branch:</p> <p>Parliament “Jogorku Kenesh”</p> <p>President Office</p> <p>Judicial System:</p> <p>Judicial Department under the Supreme Court</p> <p>High School of Justice under the Supreme Court</p> <p>International Arbitration Court under the Chamber of Commerce of the Kyrgyz Republic</p>		
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Annex IV. LTT projects in the Kyrgyz Republic

No	Name	Budget, €/source	Bank stakeholders	Objective	Status
1	Extractive Industries Transparency Initiative Kyrgyzstan Secretariat – Capacity Building	EBRD's SSF		Assistance with the implementation of a comprehensive framework for award and regulation of extractive industries, and the transparent revenue management and allocation of the proceeds of the extractive industries in the interests of the overall development of Kyrgyzstan.	Underway
2	Mining Sector Regulatory Capacity Development	EBRD's SSF	Natural Resources Team, RO Bishkek	Capacity building/training, practical implementation support and help with drawing up individual frameworks for licensing auctions/tenders, remediation/reclamation of exhausted mines, Green Investment Scheme (GIS) data publication and loss norms of mining production.	Underway
3	Policy Advice and Support in the WTO GPA Accession	250,000/ EBRD GPA TC Facility	Procurement Department	The project provides advice in strategy development for negotiating the WTO GPA accession and practical assistance throughout the WTO GPA negotiation process and legislative changes inspired by the WTO GPA.	Underway
4	Policy Dialogue on Energy Efficiency in Kyrgyzstan	EBRD's SSF	E2C2, FI	To assist the government with further implementation of the Law on Energy Performance of Buildings and enhancing other sectors of legal and regulatory framework in sustainable energy sector, including providing support on setting up a National Program on Energy Efficiency, assist with development of effective secondary legislation on renewable energy and advise on amendment of existing heat supply regulations with regards to metering and billing procedures and energy performance benchmarks.	Underway
5	Facilitating the participation of small and medium enterprises (SMEs) in public tenders conducted on the electronic public procurement system	240,000/ EBRD's SSF	ASB	The objective of this project is to increase the capacity of Kyrgyz SMEs to utilise business opportunities arising from the reformed public procurement system and availability of the improved eProcurement platform.	Underway
6	Sustainability of Judicial Capacity Building		RO	From 2005 to 2010, LTT conducted a large scale judicial capacity building project in the Kyrgyz Republic ('the Kyrgyz Project'), the primary aim of which was to improve the competence of sitting judges in key areas of commercial law, and at the same time strengthen the institutional capacity of the Judicial Training Centre ('JTC') at the Supreme Court of Kyrgyz Republic to organise and	Underway

				deliver training. The JTC now wishes to organise and deliver a new round of commercial law judicial training for approximately 80 sitting judges who were not previously trained under the Kyrgyz Project.	
7	Bailiff Service Capacity Building – Phase 2	600,000/ EBRD's SSF		This project is a follow-up on the successfully completed Phase 1 of the same initiative; the latter focused on developing a functional analysis of the court decision enforcement system, including a formal assessment of the specific training needs of the bailiffs in relation to commercial law judgements, as well as a review of the Enforcement Act with recommendations for amendments which could facilitate the work of bailiffs.	Underway
8	Commercial Mediation in the Kyrgyz Republic	150,000/ EBRD's SSF		To assist the Government of the Kyrgyz Republic in promoting and facilitating the use of commercial mediation on a national scale, with the goal of making its use a business norm in the country.	Underway
9	Developing New Audit Methodology for Electronic Public Tenders			The project aims at developing new methodology for auditing public tenders conducted using electronic procedures (eProcurement), in cooperation with the Directorate for Public Governance and Territorial Development of the Organisation for Economic Cooperation and Development (OECD Governance).	Underway
10	Policy Advice and Legislative Drafting for Public Procurement Reforms in the Kyrgyz Republic	EBRD's SSF		In the Kyrgyz Republic the EBRD UNCITRAL Initiative team provides policy advice in the development of primary and secondary legislation as well as implementation support for eProcurement project funded by the ADB.	Completed
11	Judicial Capacity Building - Phase 5	EBRD's ETC Fund		The project helped put in place all necessary components of a formal system of initial training for candidate judges and trained the first batch of candidates.	Completed 2012
12	Improving Legal and Regulatory Framework Concerning Corporate Governance and Investors' Protection	EBRD's ETC Fund		This project aimed to assist the State Agency for Financial Supervision and Control of Kyrgyz Republic (now Financial Market Supervision and Regulation Service) to improve the legal and regulatory framework concerning corporate governance and investors' protection in the country.	On Hold
13	Interconnect and Costing	EBRD's ETC Fund		This Project aimed at providing advice and assistance to the National Telecommunications Agency and the Government of the Kyrgyzstan in the revision of interconnection and costing/tariffing practices to better reflect international best practice.	Completed Q2 2012
14	Communications Law Revision Project	EBRD's ETC Fund		This project aimed at assisting the Ministry for Transport and Communication and the regulator to revise the 1998 Telecom Law.	Completed 23/04/2012
15	Judicial Capacity Building – Phases 3 and 4	EBRD's ETC Fund, EBRD's SSF		The project's objectives were to improve the general level of commercial law knowledge and building capacity in the local judiciary and the local Judicial Training Centre as one of the requirements for ensuring the effectiveness of the commercial law framework.	Completed 2010

16	Judicial capacity building Phase 2	EBRD's ETC Fund, Japan, Switzerland		The objective of this follow-on project was to implement the Action Plan developed under Phase I of the project, with a view to improving the general level of commercial law knowledge and building capacity in the local judiciary and the local Judicial Training Centre as one of the requirements for ensuring the effectiveness of the commercial law framework.	Completed 06/03/2009
17	Kyrgyz Universal Access	Canadian government		This Project provided advice and assistance to the Government of Kyrgyzstan in developing a strategy for universal access and ICT development; The Project also provided advice and assistance with respect to a demand study, advice and assistance with respect to the calculation of cost and design of financing mechanism and with respect to the design and administration of a pilot project (including public tender/auction) to trial the implementation of the chosen level of universal access. Approval by the Government of Phase I output was achieved in July 2006. Implementation of phase II is ongoing.	Completed 27/02/09
18	Judicial capacity building Phase I	Canadian government		The EBRD assisted local authorities with the preparation of an Action Plan for increasing judicial capacity in the commercial law sector. An inception visit to Bishkek for the assessment phase of the project took place in January 2005. A polling survey of stakeholders took place in the spring of 2005 and an Action Plan has been finalised in consultation with the local authorities.	Completed 10/11/2005