KYRGYZ REPUBLIC

Economic Update
Fall 2019

WORLD BANK GROUP

Macroeconomics, Trade and Investment Global Practice

KYRGYZ REPUBLIC:

Strong growth led by the gold sector

With a special focus on public investment management

Kyrgyz Republic Economic Update No. 9

Fall 2019

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Overview

Gold production increased substantially in 2019, providing a strong boost to economic growth. Output from the country's largest gold mine, Kumtor, rose by 33 percent year on year in January-October, a reversal from the 8 percent contraction in the same period of 2018. As a result, real GDP grew by 5.7 percent in January-October, up from 3.5 percent in 2018 as a whole. Gold exports, which increased by almost 55 percent year on year, contributed to strong export earnings and a narrower current account deficit. Monetary policy easing and continued remittance inflows also supported GDP growth.

Real GDP is projected to grow by 4.2 percent in full-year 2019, as gold production growth is slowing in the last three months of the year. Economic activity is likely to keep the same pace in the medium term as gold production volume will stay at the current level. The current account deficit is expected to remain wide despite rising remittances.

The fiscal deficit widened slightly in January-September 2019 owing to lower tax revenues as a percentage of GDP (mainly due to reduced receipts from import taxes). As investment spending accelerates in the second half of the year—and a 30-percent wage increase for teachers took effect in October—the budget deficit is likely to widen to 3.2 percent of GDP in 2019 from 1.6 percent of GDP in 2018. The government plans to reduce the fiscal deficit to 3 percent of GDP in 2020 in line with the fiscal rule; the latter is currently pending parliamentary approval.

Improving expenditure management has been a key challenge in the Kyrgyz Republic, especially in the context of the need to create the much-needed fiscal space for investment in infrastructure and human capital. The special focus section explores the main issues related to public investment management and discusses how to enhance the selection, assessment, and evaluation processes of public investment projects.

A. Recent Socio-Economic Developments

Growth and inflation

Strong gold output boosts GDP

Surging gold production boosted real GDP growth to 5.7 percent in January-October 2019 from 3.5 percent in full-year 2018 and 2.1 percent in the year-earlier period (table 1, figure 1). Gold output expanded by 33 percent year on year after contracting 8 percent a year earlier (figure 2). At the same time, non-gold GDP growth was moderate at 3.3 percent, up slightly from 3 percent a year earlier, driven by construction (up by 9.4 percent year on year) and services (2.8 percent). Growth in agriculture slowed to 1.8 percent year on year, from 2.4 percent a year earlier, while non-gold industry contracted by 0.1 percent compared to an increase of 9 percent in January-October 2018.

On the demand side, investment and net exports supported growth. Preliminary data indicate that investment grew at 6.3 percent year on year in

the first ten months of 2019. Meanwhile, increased gold exports fueled export growth, while imports declined.

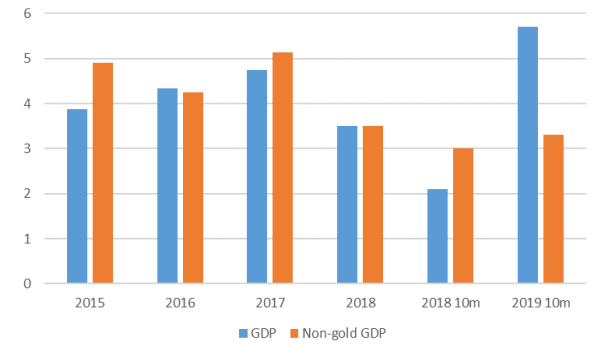
A looser monetary policy against the backdrop of fiscal tightening also supported the economic expansion. Credit to the economy grew at 15.3 percent year on year in September 2019, and the average lending interest rate eased modestly in the first ten months of the year. Furthermore, financing from the Russian-Kyrgyz Development Fund, aimed at providing support to the real sector, rose by 15 percent since the beginning of the year, with loans totaling $354 million in September 2019.

Table 1. Key Macroeconomic Indicators, 2015–19
(Annual percentage change)

	2015	2016	2017	2018	2018 Jan-Oct	2019 Jan-Oct
Real GDP	3.9	4.3	4.7	3.5	2.1	5.7
Non-gold real GDP	4.9	4.3	5.1	3.5	3.0	3.3
Gold sector real GDP	-8.3	5.2	1.3	3.3	-8.0	33.1
Consumption	-0.7	-0.3	5.4	3.1	...	...
Investment	-2.3	8.1	6.9	11.3	2.3	6.3
Inflation (end of period)	3.4	-0.5	3.7	0.5	0.8	2.6

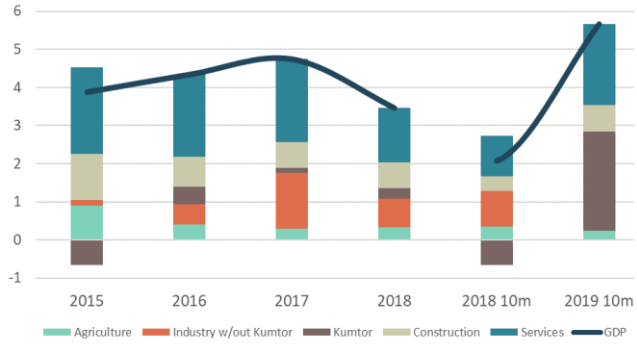
Sources: National Statistics Committee; World Bank staff estimates.

Figure 1. Real GDP Growth
(Percent)



Source: National Statistics Committee.

Figure 2. Contribution to Growth
(Percentage points)



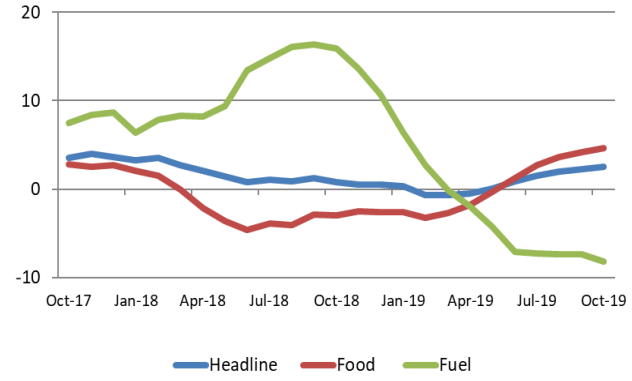
Source: National Statistics Committee.

Price pressures remain subdued

Twelve-month inflation rose to 2.6 percent in October 2019 from 0.5 percent in December 2019 (figure 3). However, this increase was preceded by deflation in February-April as both food and fuel prices declined. Consumer prices began to edge up in May, driven by seasonal price increases for vegetables and construction materials.

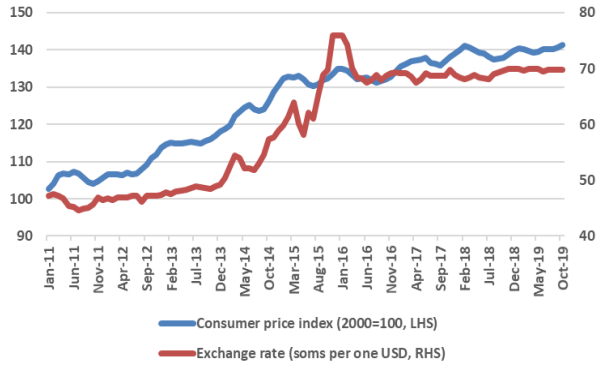
While consumer price dynamics are affected by seasonal factors, the exchange rate remains an important determinant owing to the openness of the Kyrgyz economy and its high propensity to import (figure 4).

Figure 3. Inflation
(Percent)



Source: National Statistics Committee.

Figure 4. Consumer Price Index and Exchange Rate



Source: National Statistics Committee.

External trade and balance of payments

Gold exports help narrow the external deficit

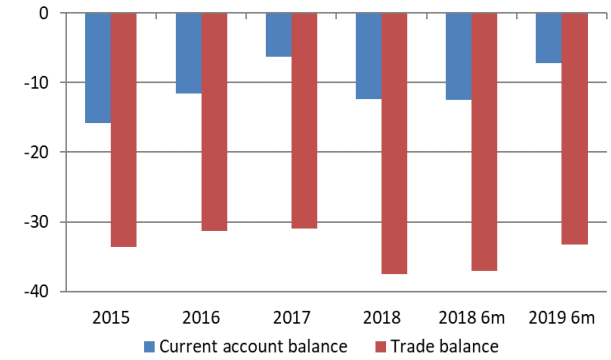
The current account deficit narrowed to 7.2 percent of GDP in the first half of 2019 (down from 12.5 percent of GDP in the first half of 2018), reflecting improved trade and services balances as well as increased income (figure 5). FDI, portfolio investment and private sector loans financed the current account deficit.

Exports rose by 5.7 percent in the first half of 2019 in U.S. dollar terms, driven by gold exports, which increased by almost 55 percent (figure 6). Non-gold exports are estimated to have declined by 6.4 percent. At the same time, imports in U.S. dollar terms fell by 11 percent due to fewer imports of food and textile products.

In spite of the Russian ruble strengthening against the US dollar, remittance inflows in US dollars fell by 8.3 percent year on year in the first half of 2019, reflecting moderating economic growth in the Russian Federation. Based on more recent preliminary data, remittance growth is likely to slow further. Restrictions on money transfer amounts introduced by Russia earlier this year could also constrain remittance growth.

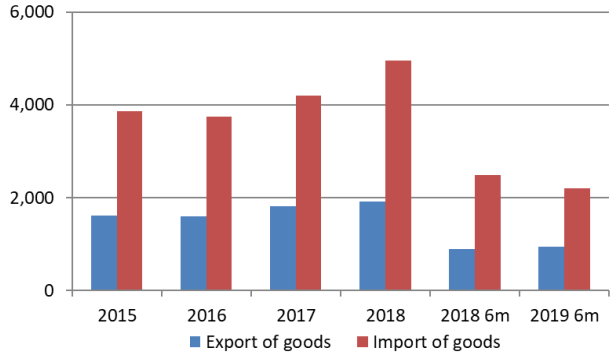
Central Bank data indicate that gross international reserves stood at $2.3 billion in September 2019 (the equivalent of four months of goods and services imports), an increase of 6 percent since the end of 2018.

Figure 5. Trade and Current Account Balances
(Percent of GDP)



Source: National Bank.

Figure 6. Exports and Imports
(US$, millions)



Source: National Bank.

Financial sector

Banking sector indicators are solid

The capital adequacy ratio remained high at 23.4 percent in September 2019, nearly twice the minimum regulatory requirement of 12 percent. The liquidity level—the ratio of liquid assets to liabilities—stood at 64.1 percent, down from 66.9 percent at the end of 2018 but well above the minimum requirement of 45 percent. Profitability indicators, however, have declined since the start of the year. Return on assets was 1 percent at the end of September 2019, down from 1.4 percent in December 2018, and return on equity was 6.4 percent, down from 9.5 percent at end-2018. The nonperforming loan ratio stood at 8.3 percent in September (up from 7.5 percent in December 2018), reflecting a deterioration of loan portfolios in some commercial banks.

B. Macroeconomic and Structural Policies

Fiscal, monetary and exchange rate policies

Fiscal deficit widened slightly

The fiscal deficit widened to 0.8 percent of GDP in the first nine months of 2019 (from 0.5 percent of GDP a year earlier) due to lower tax revenues as a percentage of GDP.

Tax revenues fell by 1.7 percentage points to 26.3 percent of GDP, mainly due to reduced receipts of import taxes, specifically value added tax revenues from goods imported from outside the Eurasian Economic Union (EEU) (a decline of 0.9 percentage points) and from EEU countries (a decline of 0.2 percentage points). At the same time, income tax and customs duty revenues increased by 0.3 percentage points each. Higher non-tax revenues and grant support partly offset the decline in tax revenues. Non-tax revenues increased by 0.1 percentage points to 5 percent of GDP, driven by increased collections from fee-based services; grant support rose by 0.3 percentage points (to 1.4 percent of GDP). As a result, total revenues declined by 1.4 percentage points to 32.8 percent of GDP.

Total expenditures fell by 1 percentage point year on year in the first nine months of 2019 to 33.7 percent of GDP. This reduction was the result of a decline in current spending (by 1 percentage points to 30.1 percent of GDP). At the same time, capital spending increased slightly (by 0.2 percentage points to 4 percent of GDP).

Table 2. General Government Fiscal Accounts, 2015–19
(Percent of GDP)

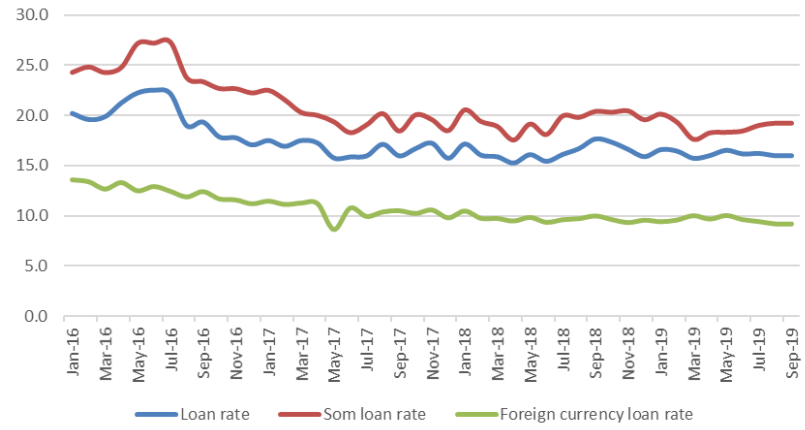
	2015	2016	2017	2018	2018 Jan-Sep	2019 Jan-Sep
Total revenues and grants	34.4	32.0	32.6	31.8	34.2	32.8
Total revenues	32.2	29.9	30.1	30.1	33.1	31.4
Current revenues	32.1	29.8	30.0	30.1	33.0	31.3
Tax revenues	24.2	24.2	23.9	25.4	28.1	26.3
Non-tax revenues	7.9	5.6	6.2	4.6	4.9	5.0
Capital revenues	0.1	0.1	0.0	0.1	0.1	0.1
Grants	2.2	2.1	2.5	1.6	1.1	1.4
Program grants	1.7	1.4	1.5	0.6	0.0	0.6
PIP grants	0.5	0.7	1.0	1.0	1.1	0.9
Total expenditure (incl. net lending)	37.4	38.3	37.2	33.4	34.7	33.7
Current expenditure	30.1	30.2	29.3	28.9	31.1	30.1
Wage	8.1	8.3	7.8	7.7	8.3	8.1
Transfer and subsidies	3.4	3.4	3.3	5.0	3.5	3.4
Social Fund expenditures	9.0	8.6	8.8	9.0	10.0	9.9
Interest	1.0	1.1	1.1	1.3	1.5	1.5
Purchase of other goods and services	8.6	8.8	8.4	5.8	5.7	5.4
Capital expenditure	7.2	8.0	8.1	4.6	3.8	4.0
o/w foreign financed	4.5	5.1	5.2	2.7	2.1	2.5
Net lending	0.1	0.0	-0.2	-0.1	-0.2	-0.5
Overall balance	-3.0	-6.3	-4.6	-1.6	-0.5	-0.8
Overall balance excluding on-lending	-1.0	-4.0	-3.1	-1.0	0.1	-0.6
Financing	3.0	6.3	4.6	1.6	0.5	0.8
External	3.8	4.0	3.3	0.4	-0.6	-0.3
Domestic	-0.8	2.3	1.3	1.3	1.1	1.1

Source: Ministry of Finance.

Monetary easing continues

With annual inflation running well below the target range of 5–7 percent, the National Bank of the Kyrgyz Republic (NBKR, the central bank) eased monetary policy during the first half of 2019, cutting its policy interest rate by 25 basis points to 4.50 percent in February and to 4.25 percent in May. At the same time, the interest rate corridor was narrowed by reducing the overnight interest rate for loans to 5.75 percent (from 6 percent) and increasing the overnight rate for deposits to 1.75 percent (from 1.5 percent). The market interest rate for som-denominated loans declined slightly, from 19.6 percent in December 2018 to 17.6 percent in May 2019, before rising to 19.2 percent in September 2019 (figure 7); it declined from 19 percent to 16.9 percent in real terms over this period.

Figure 7. Lending Interest Rates
(Percent)

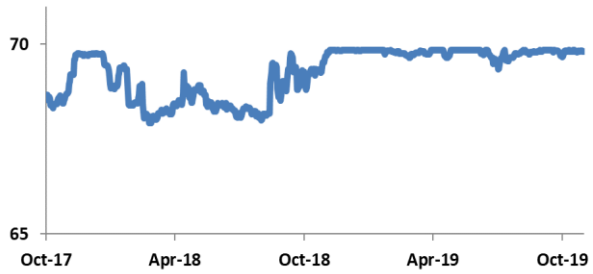


Source: National Bank.

The som is assessed to be overvalued

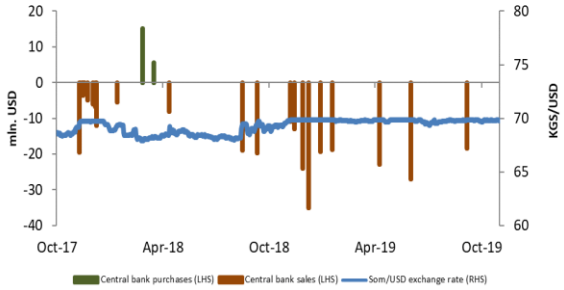
The som has maintained stability against the U.S. dollar since November 2018, supported by central bank intervention (figure 8). The central bank sold $87 million on a net basis in January-September 2019, up significantly from sales of $31.7 million in the year-earlier period (figure 9). At the same time, som movements against the Russian ruble and the Kazakh tenge were divergent (figures 10 and 11). The som depreciated slightly against the ruble (reflecting the appreciation of the ruble against the U.S. dollar) while strengthening against the tenge. There has been a slight depreciation of the real effective exchange rate (REER) since the start of the year, mirroring the nominal effective exchange rate (NEER) (figure 12). Based on the assessment of various models, the IMF estimates that the REER is overvalued by 12–20 percent.[1]

Figure 8. Nominal Exchange Rate, U.S. Dollar
(KGS/US$)



Source: National Bank.

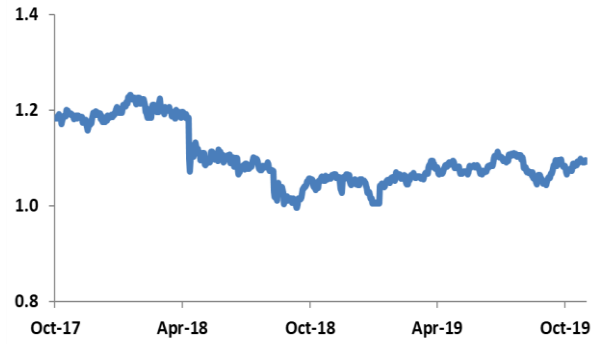
Figure 9. Nominal Exchange Rate and NBKR Interventions (KGS/US$)



Source: National Bank.

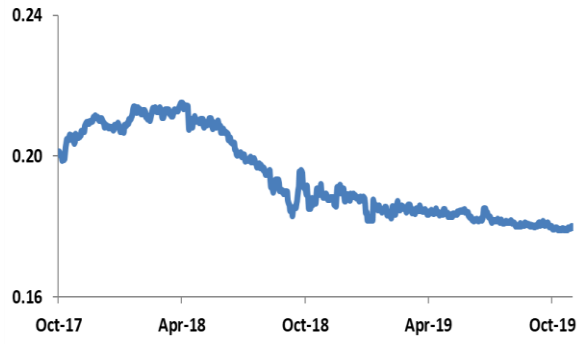
[1] IMF. 2019. *Kyrgyz Republic—2019 Article IV Consultation*. Washington, DC: International Monetary Fund.

Figure 10. Nominal Exchange Rate, Russian Ruble
(KGS/Russian ruble)



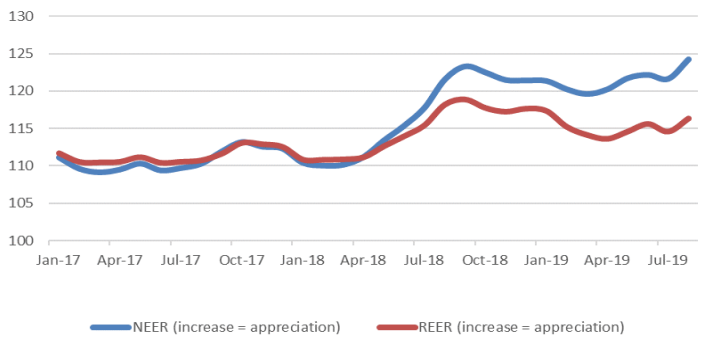
Source: National Bank.

Figure 11. Nominal Exchange Rate, Kazakh Tenge
(KGS/Kazakh tenge)



Source: National Bank.

Figure 12. Nominal and Real Effective Exchange Rates
(Index, 2010=100)



Source: National Bank.

C. Economic Outlook and Risks

With gold output growth moderating in the fourth quarter of 2019, we estimate full-year GDP growth of 4.2 percent. Output excluding gold is projected at 3.9 percent. This scenario reflects recent downward revisions to GDP growth projections for Russia (to 1 percent, from 1.4 percent previously). Monetary loosening and a planned increase in public investment spending will support economic growth in the Kyrgyz Republic. Over the medium term, GDP growth is projected at 4 percent as gold output remains broadly at the current level.

Consumer price inflation is likely to increase to 3 percent by December 2019 following an intensification of price pressures towards the end of the year, reflecting wage and pension increases. Over the medium term, inflation is likely to will remain below the NBKR's target range of 5–7 percent, assuming exchange rate stability and no significant shocks to global food prices.

While remittance inflows are expected to rise over the medium term (reflecting slightly higher growth projections in Russia), the current account deficit is projected to remain elevated at about 8 percent of GDP, reflecting structural constraints and the significant import content of public investment.

Table 3. Selected Macroeconomic and Social Indicators, 2016–20
(Percent, unless otherwise indicated)

	2016	2017	2018	2019	2020
				Projections	
Nominal GDP (som, billion)	476.3	530.5	557.1	595.9	637.7
Real GDP growth	4.3	4.7	3.5	4.2	4.0
Real non-gold GDP growth	4.3	5.1	3.5	3.9	4.2
Consumer price inflation (year-end)	-0.5	3.7	0.5	3.0	4.5
Current account balance (% of GDP)	-11.6	-6.3	-9.1	-8.3	-7.6
Overall fiscal balance (% of GDP)	-6.3	-4.6	-1.6	-2.3	-3.0
Total public debt (% of GDP)	59.1	58.8	56.0	56.3	55.8

Sources: World Bank staff calculations and estimates based on official data published and provided by the authorities.

The authorities are committed to reducing the budget deficit to 3 percent of GDP by 2020 (table 3) to rebuild fiscal buffers. In 2020, tax revenues are projected to rise in nominal terms on account of planned policy measures to expand the tax base by addressing constraints to private sector growth, reducing tax exemptions, and raising excise tax rates. However, as a share of GDP, tax revenues are expected to decline in 2020. Meanwhile, expenditure is projected to decline following efforts to streamline non-priority purchases, reduce the wage bill as a share of GDP, and strengthen public procurement.

Table 4. General Government Fiscal Accounts, 2018–20
(Percent of GDP)

	2018 Actual	2019 Approved	2020 Approved
Total revenues and grants	31.8	32.8	30.9
Current revenues	30.1	30.8	29.4
Tax revenues	25.4	26.6	25.7
Non-tax revenues	4.6	4.2	3.8
Capital revenues	0.1	0.0	0.0
Grants	1.6	1.9	1.4
Total expenditure (incl. net lending)	33.4	36.0	33.9
Current expenditure	28.9	27.9	26.6
Capital expenditure	4.6	8.1	7.3
o/w foreign financed	2.7	5.3	4.9
Overall balance	-1.6	-3.2	-3.0
Financing	1.6	3.2	3.0
External	0.4	2.2	2.2
Domestic	1.3	1.0	0.8

Source: Ministry of Finance.

The Kyrgyz economy will remain vulnerable to developments in its major trading partners in the region. Specifically, a slowdown in Russia (as U.S. sanctions intensify) and Kazakhstan (due to lower oil prices) could negatively impact the baseline scenario via remittances and trade. Furthermore, a reduction in commodity prices could have a mixed impact on export receipts and the import bill. A continuous real appreciation of the som against trade partner currencies will deteriorate the competitiveness of Kyrgyz goods and services in both the domestic and EEU markets.

Accelerating the process of convergence of local production to EEU standards and improving the business environment will remain core challenges. Achieving these objectives would boost Kyrgyz agriculture and textile exports in the short and medium term.

D. Special Focus: Improving the Quality and Efficiency of Public Investment[2]

Effective management of public investments is critical at all stages of the project cycle to ensure optimal use of scarce public resources especially in a country like the Kyrgyz Republic facing huge infrastructure gaps but with limited fiscal space. Public investments should be guided by a robust and transparent public investment management system so that they can deliver their intended economic and social benefits.

The growth dividend from public investment is determined by the efficiency of the investment process. Not all public investment creates economically valuable capital. In economies with weak public investment management processes, public investment is unlikely to translate fully into productive capital and thus economic growth. The IMF estimates that the average country loses about 30 percent of the value of its public investment to inefficiencies in the investment process. The growth dividends from closing the "efficiency gap" could be substantial: the most efficient countries get twice the return from a unit of investment compared with the least efficient countries (IMF, 2015). Hence, improvements in the public investment management (PIM) are critical in enhancing efficiency of public investment and its contribution to economic growth.

The following paragraphs below will shed some light on the size and composition of public investment as well as provide an assessment of the three main aspects of public investment management in the Kyrgyz Republic: public investment planning, monitoring and evaluation of public investment projects and institutional capacity for Public investment management.

Size and composition of public investment in the Kyrgyz Republic

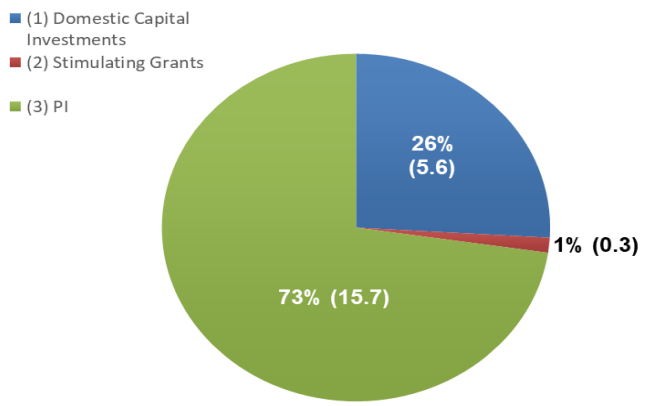
Public investment is critical to development

Public investment is essential for the long-term development of the Kyrgyz Republic given its significant infrastructure gaps, especially in the transport and energy sectors. As is the case in many developing countries, the bulk of domestic revenues are needed to fund current expenditures such as salaries and wages, public utilities, transport expenses and so on (most of which are protected items in the budget). Consequently, the Kyrgyz Republic relies heavily on external sources of finance (loans and grants from development partners) to fund public investment. Development expenditures partly or fully funded from external sources comprise the Public Investment Program (PIP). Only approximately one quarter of total public investment in the Republican Budget is funded from domestic sources (revenues and domestic borrowing, according to the Consolidated Budget Execution Report 2018 (figure 13).

[2] In compiling this review, the team incorporated the experience of the Technical Assistance on Public Investment Management Project implemented by the World Bank in 2018–19.

Figure 13. Components of the Development Budget, 2018

(Percent of total, value in billions of soms)



Under the government's plan for 2019, public investment is slated to rise to 33.6 billion soms (about 0.5 billion US dollars), 19% of total budget expenditures, rising above levels observed in previous years.

Figure 14. Total Public Investment Expenditures 2013-18 (billions of soms)

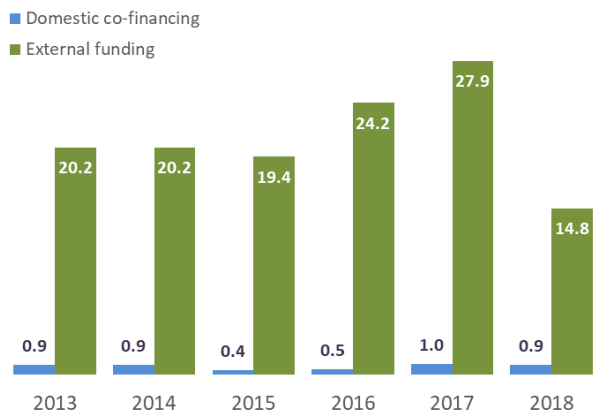
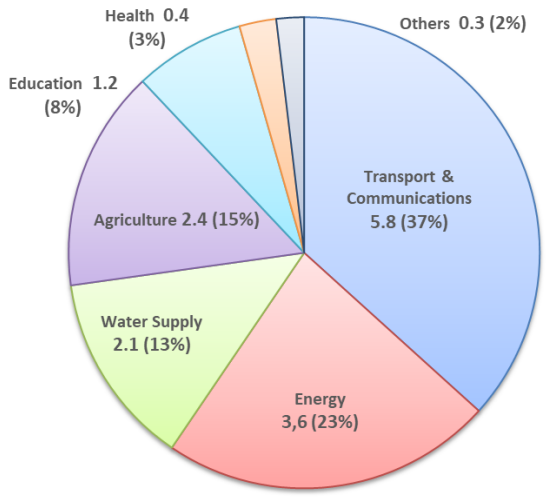


Figure 14 shows annual public investment expenditures from 2013 to 2018. Public investment expenditures expanded in nominal terms from 2013 to 2017 but then fell back in 2018. The notable decline in public investment spending in 2018 was mainly the result of project underspending - only three quarters of a budgeted 19.6 billion soms.

Figure 15. Total Public Investment Expenditures by Sector 2018



Infrastructure sectors - such as transport, energy, and water supply – receive the largest share of public investment. Significant funds are also allocated to the development of agriculture and social sectors (education and health). Public sector management development funding has been on a declining trend in recent years.

Problems in the Planning of Public Investment

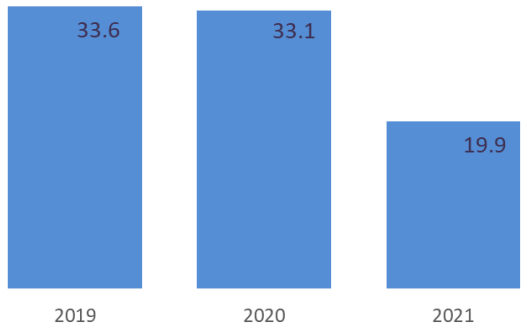
Planning process is fragmented

One of the main objectives of public investment management is to ensure timely and accurate planning and forecasting of investments, based not only on sectoral objectives and targets but also on the budgetary resources available to fund them. Currently the link between the overall budget planning system and the planning of public investments is weak in the Kyrgyz Republic.

At the national level, public investment objectives are set out in national strategy documents, but they are not adequately resourced, and neither are they clearly prioritized. Unfortunately, the links between the national strategic objectives and budget planning remain weak. The Ministry of Finance (MOF), in preparing budget forecasts, includes only on-going public investment projects or those with signed agreements for funding. As a result, medium-term budget projections, instead of showing moderate growth based on forecast budgetary resources, they depict a downward trend (figure 16). This is misleading, as new project agreements will be signed and brought into the public investment over the medium term. Unfortunately, the MOF lacks the data to make accurate forecasts of public investment spending in the absence of an integrated budget planning system.

Figure 16. Total Public Investment Expenditures Forecast 2019-21

(billions of soms)



Given the weaknesses in the planning of externally financed public investment projects at the central level, the public investment policy in the Kyrgyz Republic is essentially a collation of donor driven projects, rather than a coherent attempt to steer donors to fund projects which accord with national development objectives.

Approach to PIM is fragmented

Public investment planning should be comprehensive and related to the economic and social development policy of the country irrespective of funding source. However, there is no common planning nor is there an implementing methodology applicable to all investment projects in the Kyrgyz Republic. Various types of budgetary investments are planned and managed differently; they are not subject to a single regulatory framework. Unfortunately, the existing budget legislation of the Kyrgyz Republic, and especially the Budget Code is an obstacle to creating a better integrated and more comprehensive system of budget planning.

The procedures for planning the public investment differ from those for planning domestically funded capital investments. Domestically funded capital investments are planned in the Republican Budget as a single line item (a lump sum expenditure) from which the list of specific investment projects to be funded in the next budget year only is drawn up subject to discussions both in the Government and Parliament. This happens after the approval of sectoral and local budgets, and therefore does not allow for the proper integration of the investment projects in the budget programs for sectors and territories. In addition, the domestically funded projects included in the budget are guaranteed funds for one year only, even if they are multiyear projects. The single year planning horizon for domestically funded capital investments and stimulating grants creates uncertainty over budget resource availability in the outer years, which undermines the government's ability to effectively implement multi-year investment programmes and projects.

The separation of the capital expenditure budget from the recurrent expenditure budget creates problems for the effective operationalisation of public investment projects. As noted above, most of the public investment projects are externally financed, but once the investment phase of the project is complete, its operational costs must be met from the recurrent budget. The failure to fully integrate public investment planning with overall medium-term budget planning means that adequate budgeting for the operational costs of projects cannot be guaranteed. This is one of the reasons why many public capital assets have not been properly maintained.

The mechanisms for planning and managing public investment should include not only a sectoral aspect of development policy but also a regional aspect. Unfortunately, the planning of budget investments at the central level is not properly linked to the priorities of the local development programs. This problem is partly the result of the lack of interaction between the territorial subdivisions of line ministries at the rayon level and local self-governments. The lack of an effective exchange of information on development policy priorities leads to an inconsistency of sectoral and regional plans for public investments. In some cases, agreements to finance public investment projects are signed without the project being harmonized with the activities already carried out in the region, which leads to a duplication of efforts and "parallel" projects being implemented in the same region and/or sector by different donors.

The planning of many public investment projects does not include any clear "per capita" or territorial assessment of benefits, which makes it challenging to analyse the effectiveness of these investments at the regional level. Regional investment profiles were last updated more than 20 years ago. Also, little attention is paid to the regional impact of public investment.

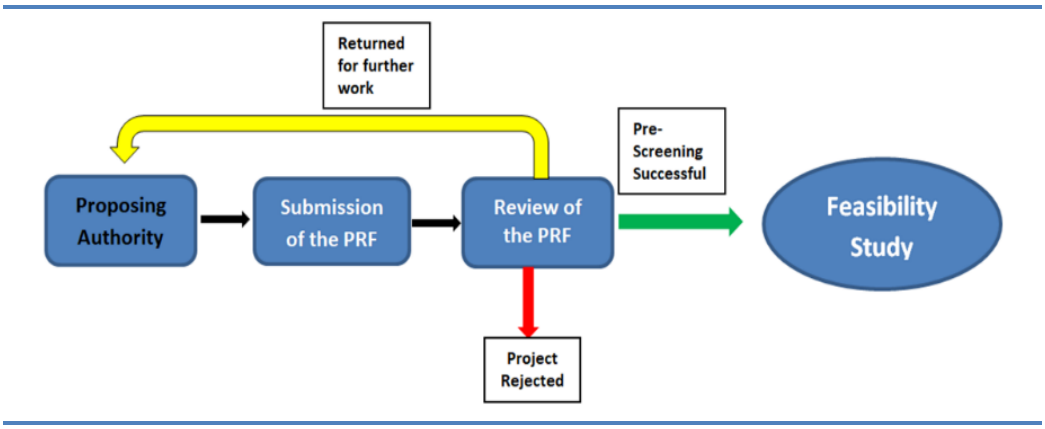
The objectives and expected outputs of public investment projects should be identified at an early stage of the investment planning process to ensure that projects comply with government policy and expenditure priorities. The existing PIM system in the Kyrgyz Republic lacks a formal project identification and first-level screening process. Consequently, the strategic relevance and overall quality of projects are not systematically tested before project proposals are developed further.

Reforms to Public Investment Planning

As part of the implementation of the Public Finance Management Development Strategy, measures are proposed to strengthen performance-based budgeting, including better PIP planning. This will allow more precise determination of the needs for resources within a framework of prudent public borrowing and a more integrated framework for strategic planning.

A new system for the screening and appraisal of investment projects at the planning stage was introduced in early 2019. The Government has recently approved a Regulation on Public Investment Management, which establishes a unified approach to the procedures for initiation, evaluation, selection, approval,

and implementation of public investment projects for executive agencies, authorized bodies, and other relevant parties. The executing agencies are now responsible for completing the project request forms in a unified format. Meanwhile, the MOE and MOF will evaluate incoming applications using a set of criteria, including an assessment of the economic and social effectiveness of the project, fiscal impact, compliance with development policy priorities, among others.



Projects that fail to receive a positive evaluation by the MOE and MOF are returned for revision or rejected outright. Projects which get a positive rating are subject to further development and approval. The new system is intended to improve the quality and viability of projects and ensure their compliance with sectoral and regional development policies.

To help harmonise sectoral and regional public investment management, central government and local municipalities, supported by donors' technical assistance, are developing a methodology that links the regional socio-economic development programmes with sectoral plans, including plans for the implementation of public investments.

Monitoring and Evaluation of Investment Projects

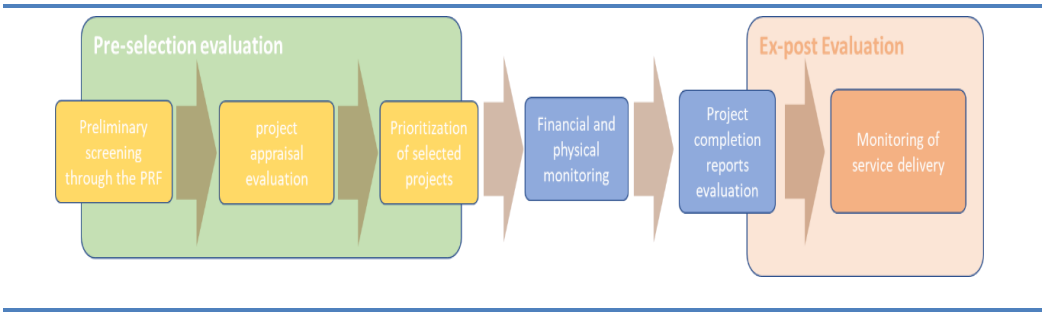
Government lacks monitoring and evaluation capacity

Monitoring and evaluation (M&E) of investment projects should comprise a core element of the overall PIM process. Currently, the M&E is carried out at the expense of donors within the individual public investment projects. Ministries and agencies lack complex monitoring and evaluation systems to track development progress at the sectoral level. The quality of performance indicators used for sectoral assessment is often quite low, and there is no logical link between sectoral and project indicators.

The new Regulation on PIM and supplementary methodologies establishes requirements for the creation of mechanisms for monitoring and evaluating of investment projects at different stages of the project cycle. These include:

- Project implementation monitoring based on unified regular reporting;
- Project completion evaluation based on the unified form of the final report;

- Monitoring and evaluation of post-project functioning of the created facilities (regular monitoring of operating activities and assessment of the sectoral impact).



The final (post-project monitoring and evaluation) is a new approach for the Kyrgyz Republic and is an important step towards a systematic impact assessment of public investment on the country's socio-economic development.

The monitoring and evaluation system should also establish mechanisms for using the results as a basis for decision making at all levels of management.

Capacity Constraints in PIM

To effectively carry out public investment planning and management, the government, authorized bodies (Ministry of Economy, Ministry of Finance) and the line ministries need sufficient analytical capacity in the form of specialized departments, agencies, and highly qualified personnel. Currently the Ministry of Economy, Ministry of Finance and the line ministries are severely limited in their capacity for analytical work dedicated to public investment management. The specialised departments or units responsible for public investment projects portfolio screening and monitoring are typically understaffed and overworked with routine activities. A large proportion of these units' staff consists of new employees with limited analytical skills and no practical experience of in public investment management tools and procedures.

PIM business processes also lack sufficient automation in relevant central government and local self-government institutions. There are no robust databases that allow a centralized and on-site analysis of sectoral and regional interaction of donors and public investment plans. Specialised software developed with the technical assistance of donors is either not in use or lack sufficient functionality for analysis.

Countries with stronger PIM institutions tend to make more predictable, credible, efficient, and productive investments (IMF, 2015). Qualitative and quantitative capacity building would help to improve the efficiency of public investment management in the Kyrgyz Republic. In addition to capacity building, the establishment of a system of complex interagency cooperation with a high level of automation would be of tangible benefit. It may also be worth referring to

country's experience in past when public investment planning and management were concentrated in a specialised single governmental body (Goskominvest).

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In compiling this review, the experience of the Technical Assistance on Public Investment Management Project implemented by the WB in 2018-2019 was used.