

**Document of
The World Bank Group**

FOR OFFICIAL USE ONLY

Report No. 182689-KG

**INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL FINANCE CORPORATION
AND MULTILATERAL INVESTMENT GUARANTEE AGENCY
COUNTRY PARTNERSHIP FRAMEWORK
FOR
THE KYRGYZ REPUBLIC
FOR THE PERIOD FY24-FY28
July 27, 2023**

**Central Asia Country Management Unit
Europe and Central Asia**

**The International Finance Corporation
Middle East, Central Asia, Türkiye, Afghanistan, and Pakistan**

The Multilateral Investment Guarantee Agency

This document is being made publicly available prior to Board consideration. It may be updated following Board consideration and the updated document will be made publicly available in accordance with the Bank's policy on Access to Information.

The date of the last Performance and Learning Review for the Country Partnership Framework with the Kyrgyz Republic for the period FY19-23 was June 6, 2022.

CURRENCY EQUIVALENTS

Currency Unit = Kyrgystani Som (KGS)
 US\$ 1 = KGS 87.64
 Exchange rate effective as of July 27, 2023

FISCAL YEAR

January 1 to December 31

ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank	DPO	Development Policy Operation
AF	Additional Finance	EBRD	European Bank for Reconstruction and Development
AIIB	Asian Infrastructure Investment Bank	FCV	fragility, conflict and violence
APNIP	Agriculture Productivity and Nutrition Improvement Project	FDI	foreign direct investment
AQ	air quality	FM	financial management
AQIP	Air Quality Improvement Project	FY	fiscal year
ASA	advisory services and analytics	GBV	gender-based violence
CA	Central Asia	GDP	gross domestic product
CAHMP	Central Asia Hydrometeorology Modernization Project	ND-GAIN	Notre Dame Global Adaptation Initiative
CAR	Central Asia Road Link Project	GWh	gigawatt hours
CASA1000	Central Asia-South Asia Regional Electricity and Trade Project	HLO	high-level outcome
Cat-DDO	Catastrophe Deferred Drawdown Option	IBRD	International Bank for Reconstruction and Development
CAWEP	Central Asia Water and Energy Program	IDA	International Development Association
CCDR	Country Climate and Development Report	IDPIP	Integrated Dairy Productivity Improvement Project
CDD	Community driven development	IFC	International Finance Corporation
CE	citizen engagement	IFI	international financial institution
CERC	Contingent Emergency Response Component	IMF	International Monetary Fund
CLR	Completion and Learning Review	IPF	Investment Project Financing
CPF	Country Partnership Framework	ISR	Implementation Status and Results Report
GVC	global value chain	KGS	Kyrgyz som
CRW	Crisis Response Window	LMIC	lower middle-income country
CRWSP	Climate Resilient Water Services Project	MIGA	Multilateral Investment Guarantee Agency
CSP	Community Support Project	MJ	megajoules

MPA	Multiphase Programmatic Approach	SME	Small and Medium Enterprise
MSME	micro, small and medium enterprises	SML	Shorter Maturity Loans
MW	megawatt	SOE	state-owned enterprise
NBKR	National Bank of the Kyrgyz Republic	SPI	Supplementary Program Indicator
PBA	Performance-based Allocation	SRWSSP	Sustainable Rural Water Supply and Sanitation Project
PBC	Performance-based conditions	SUW	Scale-Up Window
PEFA	public expenditure and financial accountability	TA	technical assistance
PFM	public finance management	TBC	to be confirmed
PIU	project implementation unit	TF	trust fund
PLR	Performance and Learning Review	UHC	Universal Health Care
PPA	Performance and Policy Action	UNDP	United Nations Development Programme
PPP	public-private partnership	UNESCO	United Nations Educational, Scientific and Cultural Organization
PRSF	Portfolio Risk Sharing Facility	UNICEF	United Nations Children's Fund
RACDP	Resilient Agri-food Clusters Development Project	US	United States
RED	Regional Economic Development	USD	United States Dollars
RESILAND	Central Asia Resilient Landscape Restoration Program	VAT	Value added tax
RETF	recipient executed trust funds	VIP	Village Investment Project
RFA	reimbursable financial assistance	WBG	World Bank Group
SCD	Systematic Country Diagnostic	WHO	World Health Organization
SDFP	Sustainable Development Finance Policy	WSS	water supply and sanitation
SDG	Sustainable Development Goal		
SDR	Special Drawing Right		

	World Bank	IFC	MIGA
Vice President:	Antonella Bassani	Hela Cheikh Rouhou Ep Abid	Ethiopsis Tafara
Director:	Tatiana A. Proskuryakova	Wiebke Schloemer Cassandra Colbert	Hiroyuki Hatashima (Acting Director)
Task Team Leader:	Naveed Naqvi	Manizha Mamadnabieva Kazumasa Oba	Gabisile Ndlovu

FY24-28 COUNTRY PARTNERSHIP FRAMEWORK FOR THE KYRGYZ REPUBLIC

TABLE OF CONTENTS

I.	INTRODUCTION.....	1
II.	COUNTRY CONTEXT AND DEVELOPMENT AGENDA	2
2.1.	<i>Sociopolitical and Institutional Context</i>	2
2.2.	<i>Recent Economic Developments and Outlook</i>	3
2.3.	<i>Poverty and Shared Prosperity</i>	4
2.4.	<i>Development Agenda</i>	5
III.	WORLD BANK GROUP PARTNERSHIP FRAMEWORK.....	7
3.1.	<i>Government Program and Medium-term Strategy</i>	7
3.2.	<i>WBG Country Partnership Framework</i>	8
3.3.	<i>High-level Outcomes and CPF Objectives Supported by the WBG Program</i>	13
3.4.	<i>Implementing the CPF</i>	22
IV.	MANAGING RISKS TO THE CPF PROGRAM.....	24
	Annex 1: CPF Results Matrix.....	27
	Annex 2: Completion and Learning Report	55
I.	<i>INTRODUCTION</i>	56
II.	<i>PROGRESS TOWARDS CPF DEVELOPMENT OUTCOMES</i>	59
III.	<i>WORLD BANK GROUP PERFORMANCE</i>	70
IV.	<i>ALIGNMENT WITH CORPORATE GOALS</i>	78
V.	<i>LESSONS LEARNED, FINDINGS AND RECOMMENDATIONS</i>	81
	<i>Annexes</i>	83
	Annex A: Summary of Status of the Kyrgyz Republic FY19-23 CPF Results Matrix	83
	Annex B: The Kyrgyz Republic FY 19-23 CPF Results Matrix Evaluation	84
	Annex C: IDA Lending Program Planned (FY19-FY22) vs Actual (FY19-FY23).....	104
	Annex D: IFC Committed and Outstanding portfolio FY19-23	106
	Annex E: Progress on Citizen Engagement and Gender Priorities	107
	Annex 3: Selected Indicators of Bank Portfolio Performance and Management.....	112
	Annex 4: Operations Portfolio (IBRD/IDA and Grants).....	113
	Annex 5: Statement of IFC's Held and Disbursed Portfolio	113
	Annex 6: MIGA's Guarantee Portfolio.....	113

FY24-28 COUNTRY PARTNERSHIP FRAMEWORK FOR THE KYRGYZ REPUBLIC

I. INTRODUCTION

1. **This Country Partnership Framework (CPF) sets out the priorities, high level outcomes and expected results for the World Bank Group (WBG) in the Kyrgyz Republic for the period FY24 to FY28.** The CPF is designed to support the Government of the Kyrgyz Republic in its efforts to eliminate poverty and promote shared prosperity in a sustainable way. The previous CPF for FY19-22 was discussed by the World Bank Board of Executive Directors on November 13, 2018 (Report 130399-KG). As implementation of the CPF was disrupted by the COVID-19 pandemic and political instability, a decision was taken at the Performance and Learning Review (PLR) of June 6, 2022, to extend the CPF period to FY23, with a focus on assisting recovery from the pandemic and accelerating implementation progress.
2. **The 30-year partnership between the WBG and the Kyrgyz Republic has supported significant development gains, but much more remains to be done.** Since independence in 1991, the Kyrgyz Republic has achieved important development gains, notably in elevating the economy above low-income status and nearly eliminating extreme poverty. The WBG has been an important partner throughout this time, providing technical assistance, analytics, and investments totaling US\$2.7 billion across nearly 150 projects spanning all major sectors of the economy. Yet, per capita GDP has been volatile for a decade and huge development challenges remain. The National Development Strategy 2018-2040 envisions a competitive, innovative economy that supports high-quality jobs across the country, along with social development that puts the Kyrgyz Republic among the top 60 in the UNDP Human Development Index by 2040. Achieving these objectives will require intense commitment to building a resilient and diversified private sector led economy that can generate jobs to absorb the growing labor force and assist in closing large social development gaps. This can only be achieved alongside strengthening the foundations of the state, matching the country's openness with improved institutional capacity and more effective governance. Lessons from the country partnership between the WBG and the Kyrgyz Republic highlight the importance of long-term commitment to a selective set of core development objectives, building capacity along the way, while maintaining flexibility to respond to changes in a fragile political and social context.
3. **The CPF comes in a period of heightened uncertainty, with rising risks but also potentially new opportunities.** Having already endured significant economic shocks resulting from COVID-19 and political turmoil, the country now faces spillovers from Russia's invasion of Ukraine. The Kyrgyz Republic is potentially among the most exposed to the regional crisis, with impacts across the economy, including on exports, remittances, tourism, energy, water, and food. Overall, the economy has proven surprisingly resilient to date, but significant risks and uncertainties remain. While the overall reform environment is difficult, among senior policy makers there is increasing recognition of challenges around energy, water, and food security, and therefore opportunities for sectoral reform exist in the near to medium term.
4. **This CPF sets out a steady but ambitious program of support aligned with the country's development strategy and key Sustainable Development Goals (SDGs).** Given the context described above and the priorities of the government's National Development Program to 2026,¹ **this CPF provides support to a program focused on three High-Level Outcomes (HLOs):**
 - HLO1: Increased Private Sector Led Job Creation
 - HLO2: Improved Access to Sustainably Managed Natural Resources

¹ Developed within the Framework of the National Development Strategy 2018-2040.

— HLO3: Enhanced Human Capital and Empowerment of Vulnerable Populations

5. **The CPF ensures continuity with the previous program but introduces important shifts in focus and approach.** There is greater selectivity in the program that focuses WBG financing on energy, water, and agriculture, with an emphasis on attracting private investment and enhancing climate resilience. Overall, the WBG will take a pragmatic and flexible approach to the delivery of the CPF program, enhancing its ambition, and particularly support to drive key reforms, as the political and governance environment continues to stabilize, and opportunities emerge.

II. COUNTRY CONTEXT AND DEVELOPMENT AGENDA

2.1. Sociopolitical and Institutional Context

6. **While the Kyrgyz Republic's vibrant democracy is a source of strength over the long-term, the country has suffered from significant political instability.** Uniquely in Central Asia, the Kyrgyz Republic has maintained its democratic polity since independence in 1991. However, popular uprisings have led to the removal of three presidents from office and triggered constitutional revisions oscillating between presidential and parliamentary systems. Following major political and social unrest in 2010, a parliamentary model was adopted by referendum. While it bolstered checks and balances in the system, it has not managed to build resilient institutions and drive reforms. Parliamentary elections in 2020 were marked by allegations of massive fraud and led to another popular uprising, overthrowing of the president, and fresh elections. The election of a new president in early 2021 was followed by constitutional amendments to restore a presidential form of government with increased centralization of power, presidential control over the judiciary, and substantial reduction in the role and powers of parliament. The constitutional referendum necessitated snap parliamentary elections, carried out without significant incident in November 2021.
7. **Persistent political instability has aggravated underlying weaknesses in state capacity and governance.** From policy development to on-the-ground delivery of public services, weak state capacity is pervasive. The Kyrgyz Republic trails both Europe and Central Asia and lower-middle-income countries (LMIC) globally on most governance dimensions. Concerns over corruption are rising, and recent government actions, including recently approved amendments to the Public Procurement Law (PPL), and the Parliament's rejection of key provisions in the National Bank of the Kyrgyz Republic (NBKR) law, suggest that the broad reform environment is becoming increasingly challenging, even while there are openings in specific sectors. The volatile political environment – there have been 11 changes in government since 2011 – stifles progress on reforms and undermines efforts to build institutional capacity.
8. **Political turbulence and weak governance both reflect and have contributed to social tensions; significant fragility risks remain.** Political instability and civil unrest have been inextricably linked to perceptions of misgovernance, including corruption and weak and spatially uneven delivery of public services. In the context of the Kyrgyz Republic's underlying ethnic tensions – the country is a mosaic of ethnic groups living side-by-side and in mono-ethnic enclaves – broad discontent may take on a communal dimension. This was seen most notably in the south of the country, where 420 people died in riots in Osh and Jalal-Abad in 2010. While no large scale inter-ethnic violence has erupted in recent years, tensions remain and growing disputes over water and land resources, exacerbated by climate change, raise the risks of future conflicts. Indeed, communal conflicts over resources contributed to deadly border clashes between the Kyrgyz Republic and Tajikistan in the Fergana Valley in April 2021 and September 2022; as the underlying issues remain unresolved, the risk of further conflict is high.

2.2. Recent Economic Developments and Outlook

9. **After decades of solid but volatile growth, economic performance weakened even prior to the recent shocks.** The 10-year moving average growth rate slowed from 4.8 percent during the 2000s to 3.1 percent in the 2010s, before contracting sharply (by 7.1 percent) amidst the COVID-19 pandemic and internal political conflict in 2020. Like other countries in the region, the Kyrgyz Republic started to recover in 2021, supported by growth in industry, trade, transport and other services.
10. **The economy has proven surprisingly resilient to the most recent shock from Russia’s invasion of Ukraine, but significant risks remain.** Despite high exposure to spillovers from Russia’s invasion of Ukraine, economy growth has been robust, reaching 6.3 percent in 2022. Growth has been supported by significant expansion in gold production and good performance in the agricultural sector, with domestic demand buoyed by increased remittance inflows (3.3 percent growth in US\$ terms) from migrant workers in Russia, aided by a strong Russian ruble. Yet, as the war and its repercussions continue, the Kyrgyz Republic remains vulnerable to risks amid a slowdown in global growth, elevated prices, disrupted regional trade and transit, and continued exposure of Kyrgyz migrant workers to the deterioration of the Russian economy.
11. **The current environment highlights the vulnerabilities of the country’s growth model.** Underlying growth dynamics show an increasing reliance on two planks of growth: extractives (mainly gold) and remittances. On the supply side, growth has been driven by increased physical capital accumulation – led by investment in the mining sector – which accounted for 60 percent of growth from 2015 to 2019. Much of this is from the Kumtor gold mine,² which alone accounts for 40 percent of the Kyrgyz Republic’s exports and 6 percent of government revenue. On the demand side, consumption growth has been strongly supported by remittance incomes. Yet, both these planks of growth are at risk. Outlook for further investment in Kumtor is uncertain as it reaches maturity and concerns over environmental impacts of mining increase. Moreover, while gold production supports overall growth, it creates few jobs and has limited spillovers to the economy. And even if the Russian economy avoids a significant downturn, remittance returns are nearing saturation. At 30 percent of GDP, remittances in the Kyrgyz Republic are already the second highest in the world as of 2020 (after Tonga). And while remittances will remain a major contributor to household consumption, moderating private consumption growth suggests remittances may have limited space to drive future growth. In the context of risks and limitations in these two growth planks, the underlying dynamics of the economy are causing concern. Growth in the services, construction, and manufacturing sectors has been weak, and productivity levels in the agriculture sector are the lowest in the Europe and Central Asia region. More broadly, the contribution of productivity to growth has declined significantly in recent years, and the rate of productivity growth has been in decline for the past 20 years.
12. **Macroeconomic management faces ongoing challenges.** The current account deficit was above 10 percent of GDP on average during 2015-19, as imports far exceeded exports. While it improved sharply due to a collapse in imports in 2020, it returned to deficit in 2021, reaching a 27 percent deficit of GDP in 2022 due to a halt in gold exports and rapidly rising imports. The current account deficit is projected to decline to around 12 percent of GDP in 2023-25 as gold exports resume and imports moderate. The current account deficit has generally been financed by concessional lending and mining related foreign direct investment (FDI), and gross international reserves have been maintained above six months of imports in recent years. With a flexible exchange rate policy, the KGS/USD rate was stable for a prolonged period, but the national

² In an out-of-court settlement in April 2022 the Kyrgyz Republic received full ownership of Kumtor Gold Company in exchange for its share in the investor company. This financial transaction and the fact that Kumtor remains the country’s major export source and a major taxpayer means that the government is exposed to significant losses should the mine not continue to produce and export gold efficiently during its lifetime, estimated until 2031. The corporate governance of the mining company, the transparency of its operations, and the technical ability to operate the mine are factors that can mitigate the risks arising from nationalization.

currency depreciated by 20 percent in 2020 and has been under further depreciation pressure since Russia's invasion of Ukraine. As macroeconomic volatility has increased in recent years, the government seems to be less active counteracting it: the fiscal deficit has been less sensitive to growth, and the Kyrgyz economy has registered the high (about 15 percent in 2022) level of inflation in the Commonwealth of Independent States region.

13. **A high level of recurrent public spending is putting pressure on the fiscal balance and crowding out productive public investment.** Following the Paris Club debt restructuring in the early 2000s, the Kyrgyz Republic has effectively improved its aggregate fiscal indicators and put public finances on a more sustainable footing. Yet, the tax base remains narrow. High and rising level of public spending, with high levels of recurrent spending including on utility subsidies and an exceptionally high government wage bill – expected to amount to 16 percent of GDP following a recent large public pay rise in 2022 – means that fiscal balance will be a growing challenge. Moreover, the fiscal space for productive investment will remain limited. While the Kyrgyz Republic spent around 8 percent of its GDP on public investments up until 2017, this level declined sharply to an average of 5 percent of GDP during 2018-22.

Table 1: Selected macro-economic and poverty indicators and outlook

	2019	2020	2021	2022 e	2023 f	2024 f	2025 f
Real GDP growth, at constant market prices	4.6	-7.1	5.5	6.3	3.5	4.0	4.0
Private Consumption	0.8	-8.2	20.8	21.6	8.0	5.4	4.3
Government Consumption	0.5	0.9	0.4	9.6	0.8	0.0	-0.1
Gross Fixed Capital Investment	7.0	-16.0	8.1	4.2	2.2	7.9	13.2
Exports, Goods and Services	16.2	-27.3	16.4	-15.9	12.0	12.5	16.7
Imports, Goods and Services	6.1	-28.0	39.3	24.0	16.1	12.1	14.3
Real GDP growth, at constant factor prices	4.6	-7.1	5.5	6.3	3.5	4.0	4.0
Agriculture	2.5	0.9	-4.5	7.3	2.0	2.5	2.5
Industry	6.6	-6.5	6.5	12.2	8.7	8.0	8.0
Services	3.2	-7.9	6.9	4.0	2.1	3.0	2.8
Inflation (Consumer Price Index, average)	1.1	6.3	11.9	15.2	8.0	6.0	5.8
Current Account Balance (% of GDP)	-12.1	4.8	-8.0	-27.2	-13.7	-11.4	-10.0
Financial and Capital Account (% of GDP)	6.2	-4.8	8.7	6.9	6.7	6.6	6.4
Net Foreign Direct Investment (% of GDP)	3.8	-7.5	6.6	3.8	4.3	4.5	4.5
Revenues and grants (% of GDP)	32.3	30.9	33.6	38.4	35.9	34.3	34.4
Taxes (% of GDP)	24.9	23.3	25.6	30.5	29.9	29.1	30.0
Expenses (% of GDP)	32.8	35.1	33.9	39.8	38.6	37.0	36.4
Fiscal Balance (% of GDP)	-0.5	-4.2	-0.3	-1.4	-2.7	-2.6	-2.0
Debt (% of GDP)	51.6	67.7	60.3	52.0	49.8	49.1	48.1
Primary Balance (% of GDP)	0.5	-2.9	1.3	0.0	-1.4	-1.5	-1.0
International poverty rate (\$2.15/day PPP)^{a,b}	0.7	1.3	0.7	0.5	0.5	0.5	0.4
Lower middle-income poverty rate (\$3.65/day PPP)^{a,b}	11.7	18.7	12.5	11.4	10.8	10.2	9.5
Upper middle-income poverty rate (\$6.85/day PPP)^{a,b}	63.7	67.6	62.2	59.6	58.6	57.7	56.3
GHG emissions growth (mtCO₂e)	-7.8	-2.9	5.1	7.2	7.7	5.7	4.8
Energy related GHG emissions (% of total)	69.5	70.4	72.0	73.3	74.3	74.7	74.7

Sources: World Bank, Macroeconomics, Trade and Investment Global Practice, and Poverty Global Practice.

Notes: e = estimate, f = forecast.

(a) Calculations based on ECAPOV harmonization, using 2009-KIHS and 2016-KIHS.

(b) Projection using average elasticity (2009-2016) with pass-through = 0.7 based on GDP per capita in constant LCU.

2.3. Poverty and Shared Prosperity

14. **The Kyrgyz Republic experienced two decades of steady poverty reduction and social welfare gains before a reversal due to the pandemic and economic shocks of 2020.** From 2000 to 2020, the national poverty headcount ratio more than halved, from 62.6 to 25 percent, and extreme poverty was almost eliminated. However, the trend was reversed in 2020, with the headline poverty rate increasing by more than five percentage points. The rise in poverty was due to the combined effects of the COVID-19 pandemic and related lower earnings, as well as underemployment, that trapped many households in poverty, especially

among the most vulnerable. Shared prosperity has also experienced a reversal in recent years, pre-dating recent shocks: income growth among households from the bottom 40 percent has lagged the growth rate of the median family since 2015. The situation has been exacerbated by the COVID-19 shock, which also affected the transition of households into and out of poverty – the probability of a household escaping poverty fell from 40 percent in 2018-19 to 24 percent in 2020.

15. **Recent poverty trends reversal reflects high levels of vulnerability and low resilience to economic shocks across Kyrgyz households, with significant spatial and demographic disparities.** Despite considerable achievements in reducing poverty, income levels remain low and income growth has not been sufficient to move a large share of the population much above the poverty line. In comparison to other countries in the Europe and Central Asia region at an internationally comparable \$3.65 poverty line (at 2017 PPP), the Kyrgyz Republic remains near the bottom of the poverty scale, at 21.8 percent in 2021. In addition, most households are in precarious economic circumstances, with low and unstable earnings and high exposure to environmental and economic shocks. The share of the population vulnerable to falling back into poverty remained stubbornly above 30 percent up to 2019, and households generally faced high probabilities of reversal in poverty status.³ Geographically, poverty and vulnerability are concentrated in the south of the country. Demographically, women face higher vulnerability due to high levels of labor market exclusion and engagement in unpaid home activities. While social protection has expanded over the past decade, it remains insufficient to support the bulk of the vulnerable population in the face of serious shocks. Moreover, weaknesses and inequities in the provision of education and health care limit country's ability to leverage human capital to support resilience.
16. **Significant risks remain that the economic consequences of Russia's invasion of Ukraine will adversely impact the welfare of the population and push households into poverty.** While the economy has weathered the impacts to date, a potential decline of remittances due to an economic slowdown in Russia, a potential sharp increase in imported food prices (especially wheat flour), and reduced job opportunities domestically and abroad, would likely both increase and deepen poverty by shrinking the purchasing power of consumers and eroding real incomes of poorer households, with migrants' families hit hardest.

2.4. Development Agenda

17. **The Kyrgyz Republic's transformation toward more stable, inclusive, and sustainable growth requires jobs-rich, private sector-driven growth.** The Kyrgyz Republic is rich in natural and human resources.⁴ However, it has not managed to exploit these resources in a way that delivers sustainable and inclusive growth. The economy relies heavily on exports of gold. But gold production creates few jobs and has limited spillovers to the rest of the economy. The lack of opportunities to develop a productive private sector that can generate job opportunities at home forces a large share of the working age population to migrate abroad for work. Remittances earned from the exports of the country's human capital have become a main source of earnings for the country and are likely to remain a big contributor to household consumption into the future. But the Kyrgyz Republic needs to look beyond gold and remittances for growth drivers that can deliver jobs, higher productivity, and higher earnings, reach a broader segment of the population, and

³ Vulnerability in this case is defined by the probability of a household falling into poverty, based on a logistic model covering important determinants of poverty status (López-Calva & Ortiz-Juarez, 2013).

⁴ The Kyrgyz Republic possesses unique structural endowments that shape its development prospects and present both challenges and opportunities. Its landlocked location and distance from seaports pose challenges, but it is near large markets in China, South Asia, and Russia. The country's internal geography, with limited arable land and mountainous terrain, hinders economic activities. Abundant natural resources, especially gold, contribute significantly to development, and there are opportunities for developing other mineral resources. The Kyrgyz Republic's young and growing population, with a majority in rural areas, provides a potential for rapid growth but also highlights the need to create domestic economic opportunities to mitigate social risks.

avoid the volatility that has been prevalent in recent decades. Other endowments, like energy and water, remain underdeveloped due in part to policy uncertainty and regulatory gaps that hinder private investment. And while significant agricultural potential exists, major challenges must be surmounted to shift the sector from the subsistence-oriented activities that dominate today. Opportunities exist to leverage regional and global value chains to attract in higher value-added, job-creating investments. Realizing opportunities across all sectors requires improving the conditions for business creation and growth, including by removing excessive regulation, ensuring more contestable markets, eliminating corruption, and deepening the financial sector.

18. **Growing social risks will require increased attention to building assets and strengthening resilience, with a focus on vulnerable people and places.** Poor households, women, and those living in lagging parts of the country have always been more exposed and vulnerable to shocks, whether related to intra-household and communal violence, natural disasters and environmental degradation, or macroeconomic and trade shocks. The frequency and, in many cases, severity, of these shocks has grown in recent years, most notably with COVID-19, political upheavals and subsequent policy uncertainty, spillovers from Russia’s invasion of Ukraine, and transboundary conflicts (e.g., in the Fergana Valley). This will require increased attention to strengthening resilience of individuals, households, and communities by building human capital, strengthening safety nets, and better linking vulnerable people to opportunities (jobs and markets). Particular attention will be needed to address the large spatial disparities in access to services, infrastructure, and jobs, to ensure development processes are inclusive and socially sustainable.
19. **Sustainable development is needed to address rising climate and environment risks and take advantage of opportunities for green growth.** As a mountain economy, the Kyrgyz Republic is highly vulnerable to climate change, natural disasters, and natural resource degradation, all three of which reinforce one another increasing risks, particularly for vulnerable populations in rural areas that depend on natural resources for their livelihoods. And while the Kyrgyz Republic’s contribution to global greenhouse gas (GHG) emissions is small, heavy use of coal for heating contributes to the country having one of the highest winter air pollution rates in the world, with severe impacts on local health. More efficient management of natural resources, investments in adaptation, and reducing emissions in energy and agriculture are not only needed to strengthen resilience of livelihoods and ecosystems but also present an opportunity to support a more diversified, greener growth path through sectors like agriculture and renewable energy.
20. **The Systematic Country Diagnostic (SCD) Update emphasizes that recent dynamics have not altered the country’s development priorities.** The 2022 Update to the SCD finds that, despite a volatile recent period, the country’s core development challenges remain broadly the same and argues that the impacts of recent periods of volatility highlight long-standing vulnerabilities. The main messages of the SCD Update align with that of the 2018 SCD: the current drivers of growth in the Kyrgyz Republic cannot be relied on for future development, thus the need to intensify efforts to develop new, sustainable sources of growth, including by leveraging energy, water, and agricultural resources and integrating in global value chains. At the same time, the SCD Update highlights increasing concerns over climate change and its potential to aggravate resource degradation, with significant economic and social spillovers. In this context, the SCD Update calls for intensifying efforts to tackle core development challenges across four pillars:
 - *Catalyzing private sector led growth.* The SCD Update emphasizes the importance of: 1) ushering in greater macroeconomic stability by strengthening frameworks for predictable fiscal management and inflation control and improving the governance of SOEs; 2) removing barriers for the private sector by ensuring market contestability and addressing excess bureaucracy, pervasive corruption, and weak regulatory frameworks; 3) facilitating opportunities for diversified trade and investment by enhancing connectivity and regional integration, including promoting regional cooperation in water and energy

and regional trade facilitation; 4) improving access to finance; and 5) attracting private investment including catalyzing public-private partnership (PPP) opportunities.

- *Promoting inclusion by investing in human capital.* The SCD Update emphasizes the critical importance of human capital with the following priorities: 1) enhancing the quality of education, including a strong focus on reversing pandemic learning losses; 2) ensuring accessible and affordable primary health care provision; and 3) introducing a more inclusive targeting approach for social protection programs.
- *Building an effective state.* The SCD Update identifies improving the performance of the public sector as an enduring and fundamental challenge for the country, and sets out the following priorities: 1) strengthening government effectiveness overall, including resource use efficiency and local government service delivery; 2) strengthening the rule of law, in particular addressing corruption and insecurity of property rights; 3) improving the efficiency of public spending; 4) strengthening SOE governance; and 5) addressing fragility risks.
- *Strengthening natural resource efficiency to build climate resilience.* The SCD Update identifies an emerging priority of strengthening resilience, including to climate change risks, through: 1) sustainable management of natural resources, particularly water and energy, and including landscape restoration; 2) sustainable and climate smart agriculture, including by enhancing access to finance; and 3) public, private, and PPP investments in water, energy, and transport infrastructure.

III. WORLD BANK GROUP PARTNERSHIP FRAMEWORK

3.1. Government Program and Medium-term Strategy

21. **The government's Development Program to 2026 aligns well with the priorities identified in the SCD Update and with the WBG's ongoing program.** Developed in 2021 in the context of the COVID-19 pandemic and recent political turbulence, the comprehensive program combines anti-crisis measures with a commitment to address long-term development challenges, along six priority directions:

- 1) **Public sector reform:** reforms in the executive branch; public financial management; redistribution of responsibilities between central and local government and their structures; fiscal reforms; tackling corruption; justice sector reforms to strengthen the rule of law, independent judiciary, and access to justice; and building a national digital infrastructure.
- 2) **Enabling environment for development:** improving the investment and business climate and promoting exports by increasing FDI and implementing PPPs; integrating transportation and logistics; conducting land sector reforms; increasing access to sustainable water services; and promoting skills development and employment.
- 3) **Sectoral development,** including hydropower, agriculture, tourism, mining, and light industry.
- 4) **Social development,** including focus on quality and accessibility of the education system; modernizing and raising the quality of primary health care services; and ensuring women's economic empowerment and representation.
- 5) **Foreign policy and national security,** including strengthening border protection and promoting a positive image of the country.
- 6) **Special development priorities,** including modernization of cities and sustainable development through environmental protection, emissions monitoring, and green economy principles.

These priority directions are supported by key development principles guiding the program, including:

- **Private sector development** through outsourcing of non-core government functions and creating a favorable and equitable environment for business by ensuring security and stability of institutions and effectiveness of the justice system, including protecting property rights, ensuring effective contract enforcement, and dispute resolution.

- **Regional development:** focus on creating strong and independent subnational regions, through investment and assistance in the formation of regional growth points.
- **Diversified, export-oriented growth** focusing on priority growth opportunities where the country is competitive, including agriculture, hydropower, tourism, mining, and light industry.
- **Human capital development and resilience:** strengthening the capacity to provide basic health services to ensure the ability to respond in an emergency.
- **Digital development:** creating an environment that encourages investment in digital infrastructure so that no region of the country is left without adequate connectivity and access, and promoting digitalization in public administration.
- **Infrastructure:** increasing investment and improving the efficiency of spending.

3.2. WBG Country Partnership Framework

22. This CPF for FY24-28 supports the Kyrgyz Republic to establish a favorable environment for jobs-rich, private-sector driven growth, improve the livelihoods of vulnerable populations across the country, and strengthen resilience in a period of increasing uncertainty. It selectively supports the aspirations of the government, as detailed in the Development Program to 2026, in line with the National Development Strategy 2018-2040. It builds on the reforms and investments being implemented from the previous CPF, focused on strengthening the conditions for private investment and job creation, improving the management of natural resources to support sustainable growth and livelihoods, and facilitating economic opportunities for vulnerable populations. This CPF aims to deepen support in those areas, while also bringing into focus the special development priorities identified in the government’s development program, including an emphasis on strengthening natural resources management and climate resilience.
23. The CPF is fully aligned with the WBG’s Global Crisis Response Framework and IDA20 priorities, including key global challenges and corporate priorities. The program provides support across the four pillars of the Global Crisis Response Framework, including by strengthening agricultural systems to improve food security, increasing access to social protection and livelihoods, enhancing resilience to climate and other shocks, and strengthening institutions, to improve crisis response and support long-term development outcomes. The CPF includes a strong focus on key global challenges and IDA20 priorities, including strengthening climate resilience and reducing emissions, closing gender gaps, supporting jobs and economic transformation, strengthening institutions, and reducing fragility risk, including regional (cross-border) drivers.

Lessons from the Completion and Learning Review

24. The CLR completed in December 2022 identified several lessons from the design and implementation of the previous CPF:
25. **Flexibility.** The CPF and its implementation plan should remain flexible considering the fragile political and social conditions and frequent changes in government, so that adjustments can be accommodated while maintaining central objectives. The CPF plans to ensure a long-term commitment to a few core development objectives sustainable through turbulent times through continuous policy dialogue and frequent high-level engagement with the counterparts. Commitment to building client capacity will be maintained by multiple capacity-building workshops and joint organization of high-level forums on key development topics to build support among all stakeholders. In addition, traditional engagement at all levels will be complemented with innovative feedback mechanisms in the community, such as *Listening to*

the Kyrgyz Republic surveys.⁵ The CPF will build deeper partnerships with regional governments and communities, both of which exhibit greater continuity in leadership and ownership of development activities and are critical to effective WBG response during crises.

26. **Reform priorities and development policy operations.** Core reforms in fiscal stability, public finance (especially procurement), and energy are *sine qua non* for any budget support operations, with firm conditions for non-reversibility of actions. The WBG will deepen evidence-based advice in a medium/long-term perspective and resolutely pursue a structured dialogue in three critical areas : 1) fiscal stability rooted in rules-based budgets so as to shield the economy from vulnerabilities arising from the global economic cycle and output and trade shocks; 2) strengthening public finance management, especially in public procurement; and 3) gradually eliminating energy subsidies on the path towards long-term sustainability of the energy sector. Experience suggests that budget support operations should be used only contingent on progress in these areas and with a full understanding of the exceptionally high governance-related risks. Performance-based conditions attached to IPFs have shown some early success in the energy sector and will be used to build momentum for selected key reforms. In general, the WBG support will focus on “no-regret” investments which have broad support and operations with designs able to accommodate an exclusive reliance on the Bank’s procurement guidelines and ring-fenced implementation arrangements, to minimize disruptions from backtracking on key reform efforts, particularly in public procurement.

27. **Implementation capacity.** The capabilities and absorptive capacity of project implementing agencies need to be carefully considered at project design stage. Where capacity constraints are identified, Bank teams will provide intensive preparation support and extensive consulting, and technical assistance (TA) services, in addition to capacity building. Project design will ensure high readiness of projects’ components at entry, with the help of adequate TA and capacity building activities embedded in the project design. This lesson applies generally but is particularly relevant to work in human capital sectors, digitalization, environment, and transport, where capacity constraints have hampered implementation in the previous CPF period. For projects with regional IDA financing, national commitment to the regional dimensions must be carefully assessed. Where regional commitment is explicit and clear, such as under the CASA-1000 and Central Asia Hydrometeorology Modernization projects, implementation proceeds well. By contrast, the lack of regional forums in transport and digitalization to facilitate dialogue and cross-border collaboration was a serious weakness and put commitments at risk. All regional initiatives during the CPF implementation period will be contingent on availability of effective regional mechanisms either existing or envisaged in the design to ensure cross-border coordination and commitment.

28. **Private sector development.** Promoting private sector participation in the economy will be a major focus of the WBG program. Recent initiatives of the WBG in support for micro, small and medium enterprises (MSMEs) and development of PPPs for energy infrastructure are promising first steps and can form the basis of expanding our engagement. The recent Country Private Sector Diagnostic offers a solid analytical basis for reforms aimed at expanding private capital mobilization and private capital enabling investment in physical and institutional infrastructure in the country. An integrated approach by the WBG can open the door for maximizing finance for development, with the first practical application in the forthcoming CPF focused on expanding energy sector engagement and reform. The CPF will encourage private capital mobilization through a Multiphase Programmatic Approach (MPA) in the energy sector. IFC has already signed an advisory agreement to help prepare country systems for using the PPP modality in Scaling Solar.

⁵ *Listening to the Kyrgyz Republic* is a high-frequency survey (funded by the UK Government) to collect data, such as public views on policy reforms and month-to-month fluctuations in measures of economic wellbeing. The results are highly relevant for policymakers, especially in the context of uncertainty around the impacts of the regional economic downturn.

This model can be expanded to other sectors, particularly agriculture, water, and the digital space. Finally, building on successful in-country and regional examples, the WBG will also enhance the authorities' knowledge of the full range of instruments available to attract foreign investment, particularly MIGA and IFC guarantees and financing.

29. **Agility to respond to crises.** An agile WBG response to crises depends on rapid mobilization of teams to assess emerging challenges, incorporate them in project design and ensure swift preparation of emergency response projects. Ongoing dialogue and existing mutual trust with key stakeholders, contextual knowledge of implementing agencies with relatively high capacity, and relationships with potential beneficiaries are key to effective emergency response. Rapid response also benefits greatly from the availability of instruments such as contingent emergency response component (CERC) in existing projects.⁶ We will build on this good practice in the CPF.

Lessons from stakeholder engagement

30. **Consultations with stakeholders confirmed the relevance of the CPF and helped to prioritize areas of engagement.** Consultations were held across five of the seven regions during September and October 2022, and included public sector stakeholders, private sector representatives, civil society, and development partners. Consultations confirmed the main findings from the SCD Update and the relevance of the priorities supported by the CPF program. Stakeholders in the regions particularly highlighted the need to reduce migration (external and internal) and create viable economic opportunities in rural areas, as well as improve infrastructure and social services delivery, especially water and sewerage, transport and digital connectivity, and the quality of education and health services.

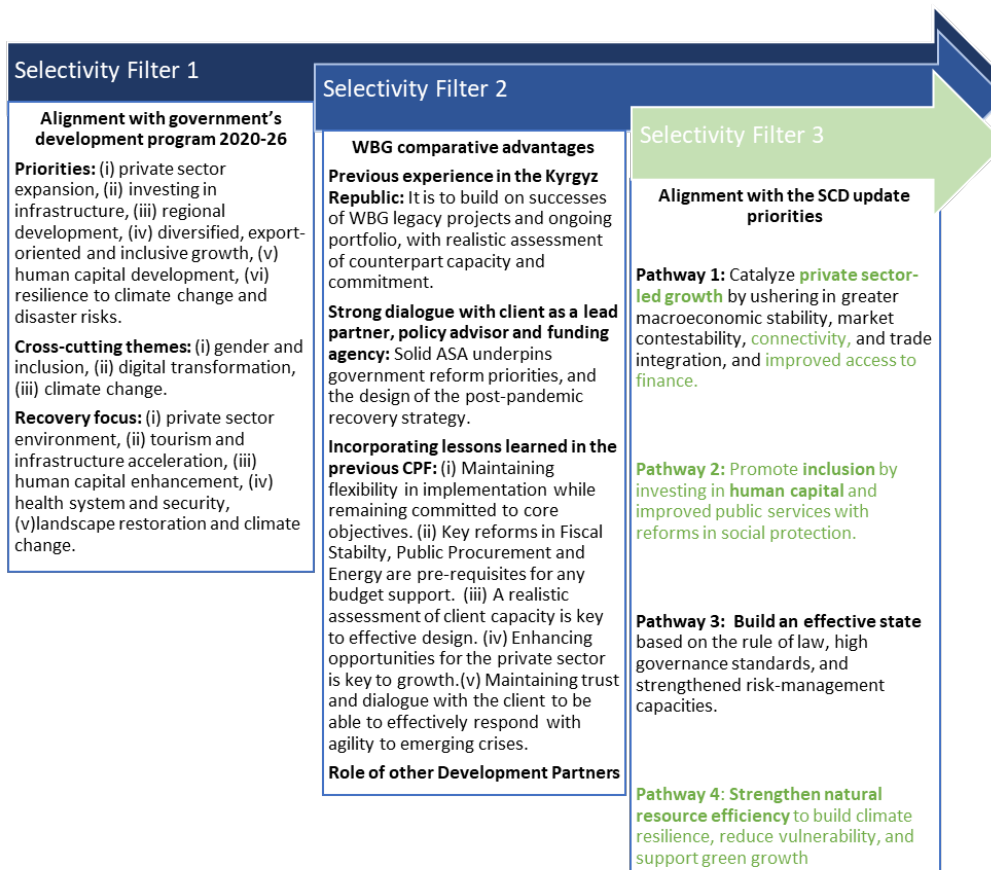
Selectivity Principles

31. **To develop a focused engagement strategy, three selectivity criteria were employed to facilitate decisions about CPF design and programming (Figure 1).** The WBG will implement activities that: 1) are clearly identified in the medium-term National Development Strategy 2022-26 and are aligned with key SDGs; 2) build on the WBG's comparative advantage, contribute to corporate and global priorities, and leverage partnerships for enhanced impact; and 3) are prioritized in the SCD Update and have the greatest potential to achieve systemic reform outcomes that support the government's development policy goals. Figure 1 illustrates the process used to identify the three Higher Level Objectives (HLOs) and eight CPF objectives described in the following sections.
32. **While the CPF will have continuity with the previous program, there will be important shifts in both focus and approach.** The CPF outlines three shifts, which underpin selectivity in the program and are informed by extensive consultations with stakeholders in all parts of the country. *First*, while the CPF will maintain continuity with the previous program, the WBG financing will focus primarily on energy, water, and agriculture, with an emphasis on enabling private investment and strengthening climate resilience. These sectors build on the comparative advantages of the Kyrgyz Republic and are critical to supporting growth, enhancing livelihoods, and ensuring climate, environmental, and social sustainability. FY22 and FY23 have already seen increased focus on investments in water and energy, with the approval of Climate Resilient Water Services Project; Electricity Sector Modernization and Sustainability Project; and Kyrgyz Renewable

⁶ In the portfolio there are three operations with CERC instruments: Enhancing Resilience in Kyrgyzstan (P162635); Climate Resilient Water Services Project (P173734); and Second Regional Economic Development Project (P175587). In the latter CERC has been activated to provide emergency support to the government in restoring affected social infrastructure facilities in the south of the country following armed clashes on the border between the Kyrgyz Republic and Tajikistan.

Energy Development Project-Phase I.⁷ *Second*, the delivery approach of the CPF will focus on a different set of instruments. Notably, lessons from recent experience of backtracking on key reforms supported through DPOs means that the use of the instrument will be contingent on progress on key policy priorities. Instead, the CPF will rely increasingly on MPA series, IPFs with performance-based conditions, and the dialogue with the government on Policy and Performance Actions (PPAs), to ensure the WBG investments catalyze reforms. The WBG will also enhance its convening role through increased partnerships with other financiers. *Third*, given the tendency toward volatility and uncertainty in the governance environment, the program will prioritize “no-regret” investments, with increased focus on support at the subnational level.

Figure 1: Selectivity filters



Note: The CPF HLOs in green are formulated based on SCD pathways 1, 2 and 4.

33. In line with the shifts outlined above, HLOs in the CPF have been formulated primarily based on the SCD Update's pathways 1, 2, and 4 (Figure 1). In addition to the active portfolio, the CPF will prioritize projects that undertake green private capital enabling investments⁸ and explore new opportunities for private

⁷ Climate Resilient Water Services Project (CRWSP) (FY22; P173734; US\$100m); Electricity Sector Modernization and Sustainability Project (FY22; P177871; US\$50m; and US\$8m co-financing from SECO); and Kyrgyz Renewable Energy Development Project-Phase I (FY23; P178286; US\$67.7m; plus US\$12.5m co-financing from the Green Climate Fund). See Objective 2.1 and 2.2 in Annex 1 for more details on the portfolio and pipeline.

⁸ The CPF program includes a 5-year programmatic TA (funded by Climate Support Facility) to address knowledge gaps in climate resilience, and green growth approaches, and to provide solutions through innovative environmental economic analysis.

sector investment as One World Bank Group.⁹ This will include a focus on investments in energy, water, and agriculture, supported by key enabling reforms. Financing to expand or deepen successful WBG activities, such as those that enhance resilience to climate risks will be preferred.¹⁰ New investments in human development will be pursued to support and complement the pursuit of key objectives. Investment in higher education will support private sector participation in the economy by strengthening linkages of higher education institutions with domestic industry and international partners. Investments in the development of a more efficient social protection system will complement energy tariff reforms by putting mechanisms in place to protect the poorest segments of the population. Government preference to address fundamental reforms to strengthen the state through their own resources means the WBG would provide limited direct support on pathway 3 of the SCD Update. However, the WBG will remain engaged on this agenda through TA and ASA support as well as indirectly through activities in other SCD Update's pathways (e.g., judicial reform, strengthening local government capacity, and citizen engagement).

34. **A One World Bank Group Approach will be prioritized to support the Kyrgyz Republic's development agenda.** Engaging upstream through World Bank ASA and IFC advisory will help the government put in place the appropriate policies and regulatory frameworks in critical sectors, such as energy, as well as overall private sector development. World Bank and IFC will continue to collaborate to foster a better business environment, financial market development, PPP regulations and practices, firm competitiveness and integration in global value chains, and to provide long-term development finance. IFC focuses its strategy to increase the private sector's share in the economy by supporting the privatization process, enhancing corporate governance, deepening and diversifying the financial sector, and developing an enabling environment for PPPs in support of infrastructure development. IFC can facilitate private sector driven solutions for key development challenges, notably in the energy sector where a PPP driven solution is envisaged in the second phase of the energy MPA series that can be a model for other sectors. MIGA's Business and Strategy Outlook FY21-23 focuses on supporting IDA countries like the Kyrgyz Republic as well as climate finance and gender. In close coordination with the World Bank and the IFC, MIGA will explore opportunities to provide political risk insurance in support of cross-border investments and impactful projects in critical and emerging sectors such as agriculture and energy. Overall, these combined efforts will be central to crowding in private finance towards each of the CPF Objectives.
35. **Donor coordination informs the choices made by the WBG in its CPF.** ADB is supporting governance reforms, and investments in roads and railways; EBRD is investing in urban development and solid waste management; while China and the Eurasian Economic Commission are focused on regulatory work on borders and trade facilitation. Therefore, these areas will not be a major part of the WBG CPF to avoid duplication, which does not preclude small strategic and complementary investments where appropriate.

Knowledge Gaps

36. **The WBG continues to invest in a robust program of national and regional ASA to deepen the knowledge base required to address key development challenges in the Kyrgyz Republic.** A total of 31 ASAs were delivered in FY19-23 and played an important role in supporting policy dialogue and investment operations. A similar approach will be taken in the CPF period, with ASAs designed to close knowledge gaps and complement lending instruments. In terms of administrative data, the Kyrgyz Republic's statistical capacity is relatively strong,¹¹ and integrated household budgets and labor force surveys,

⁹ For example, the MPA approach in the Kyrgyz Renewable Energy Development Project envisages a PPP modality for private investment in the second phase, which will also serve as a practical demonstration of how private investment can be attracted.

¹⁰ For example, additional support is envisaged for the following projects: Enhancing Resilience in Kyrgyzstan; Kyrgyz Republic Resilient Landscape Restoration Project; Central Asia Hydrometeorology Modernization; and Kyrgyz Republic Air Quality Improvement Project.

¹¹ In the latest CPIA ratings (2020), the Kyrgyz Republic's score on statistical capacity is 90, one of the highest of all CPIA-rated countries.

conducted on an annual basis, provide important knowledge about the basic characteristics of the country's poverty profile. However, given the degree of heterogeneity across the country and the CPF priority of supporting lagging regions, a more focused survey would be useful to obtain more granular information across districts on patterns of poverty reduction and economic development, differences in human development, characteristics of the labor force, and patterns of labor migration. In this regard, the recently conducted Census 2022 might be a rich source of information that could give a more comprehensive picture. Sector-specific knowledge gaps and how they will be addressed through the WBG program is explained in Section 3.3 and Annex 1.

3.3. High-level Outcomes and CPF Objectives Supported by the WBG Program

37. **The FY24-28 CPF will focus on eight CPF objectives that will underpin three high-level outcomes (HLOs) necessary for the Kyrgyz Republic to transition to a more stable, inclusive, and sustainable development path:** Increased Private Sector-led Job Creation (HLO1); Improved Access to Sustainably Managed Natural Resources (HLO2); and Enhanced Human Capital and Empowerment of Vulnerable Populations (HLO3). The CPF is aligned with the SCD Update priorities and the government's National Development Program to 2026. In addition, the CPF is aligned with the World Bank's Green, Resilient and Inclusive Development agenda and key SDGs.

38. **The CPF will maintain commitment to a set of core development objectives, ensuring continuity, while also maintaining flexibility to adjust in an uncertain environment.** The CPF is shaped by the existing country portfolio; as such, the objectives remain broadly consistent with the previous CPF. Specifically, the objectives under HLOs 1 and 3 represent continuity with the previous CPF, supporting, respectively, a strengthened environment for private sector development and human capital. The main pivot in this CPF is reflected in HLO2, with increased focus on energy, water, agriculture, and resilience to climate change, both to safeguard the livelihoods of rural populations and as a driver of economic growth. This reflects the population's widespread dependence on natural resources and the highly inefficient use of water and energy, as well as land degradation, that could raise food security risks, threaten vulnerable livelihoods, and limit opportunities for diversified export and production, particularly with rising climate risks. In a volatile political environment, which may lead to unexpected shifts in policy direction and frequent changes in government counterparts, the program has been oriented towards engagement areas with a broad constituency of support and those that support the basis for greater stability. Table 2 provides an overview of the HLOs, CPF objectives and WBG priority projects and ASAs. Further details of the CPF intervention logic are provided in Annex 1.

Table 2: Overview of HLOs, CPF Objectives, and WBG Priority Projects and ASAs for FY24-25

High-level outcomes	CPF objectives	Priority projects (FY24 and FY25)	Priority advisory and technical assistance programs (FY24 and FY25)
HLO1: Increased Private Sector Led Job Creation CPF Objectives	1.1: Strengthen fiscal and SOE management 1.2: Enhance conditions for business creation and growth 1.3: Promote financial sector deepening and inclusion	Fiscal Governance and Reform Improvement Project (FY24; \$25 M)	Judicial Functional Review (FY24) Investments Promotion Needs Assessment (FY24) Country Economic Memorandum: Nurturing Growth Drivers in the Kyrgyz Republic (FY25) IFC will explore opportunities to foster a better business environment, including financial market development, financial sector diversification, and support of the increase of the private sector's share.
HLO2: Improved Access to Sustainably Managed Natural Resources	2.1: Increase access and efficiency in the water and agriculture sectors 2.2: Enhance sustainability and increase renewables capacity in the energy sector 2.3: Strengthen infrastructure resilience to climate and disaster risks	Resilient Agri-Food Clusters Development Project (FY24; \$25 M) TA for Kambarata 1 Hydropower Plant (FY24; \$3M) CA Regional Electricity Interconnectivity and Trade Project (FY24; \$15M) Kyrgyz Republic Air Quality Improvement Project (FY24; \$50 M) RESILAND CA+: Kyrgyz Republic Resilient Landscape Restoration (FY24; \$45 M) Kyrgyz Rural Water Supply Universal Access (FY25; \$100M) Kyrgyz Renewable Energy Development Project – Phase 2 (FY25) Central Asia Hydromet Modernization Project – 2 (FY25)	Central Asia Food Security (FY24) Energy Efficient Water Services in CA (FY24) IFC Transaction Advisory Service Agreement (TASA) under the WBG Scaling Solar Framework IFC will further explore opportunities to support PPP-driven solutions, notably in the energy sector. MIGA has provided guarantees in support of a Smart agriculture project. MIGA will continue to explore opportunities to de-risk projects and facilitate cross-border investments in the agriculture and renewable energy sectors. CCDR (FY25) Agriculture Sector Public Expenditure Review (FY24-25) Scaling-up Regional Energy Interconnectivity in CA (FY25)
HLO3: Enhanced Human Capital and Empowerment of Vulnerable Populations	3.1: Improve service delivery for human capital development 3.2: Enhance economic empowerment and voice of vulnerable groups	Higher Education Quality and Innovation Project (FY24; \$25 M) National CDD Project (FY25; \$25M)	Supporting women's labor market participation and access to income-generating activities (FY24)

HLO1: Increased Private Sector Led Job Creation

39. **HLO1 supports the government in building the foundations for private sector led growth and job creation.** It is urgent for the Kyrgyz Republic to develop a dynamic private sector that can support sustainable productivity growth, create jobs across the country, and be resilient to a changing climate and a changing regional and global economic landscape. This requires improving the conditions for business creation and growth, such as the ability to make plans based on a predictable policy and economic environment, to start a business and operate as easily as possible, without fear of illicit losses or crime, to gain access to finance and other key business inputs, and to access regional and global markets. Government plays a central role, by establishing a business environment that is fair and conducive, and by enforcing it, to ensure that rules are applied as intended, corruption is arrested, and businesses have confidence that such an environment will remain in the future. The WBG will assist the government to strengthen policies and institutions to boost private sector led inclusive growth and job creation, with interventions focused on supporting three CPF objectives: 1) *strengthen fiscal and SOE management*; 2) *enhance conditions for business creation and growth*; and 3) *promote financial sector deepening and inclusion*.

Objective 1.1: Strengthen fiscal and SOE management

40. **The economic environment in the Kyrgyz Republic has experienced increasing volatility in the past decade, aggravated by weaknesses in public fiscal and financial management.** With a considerable tax take – public sector revenue, at around 28 percent of GDP, is double the average for LMICs – the public sector should be a source of resilience, providing buffers and countercyclical spending. Yet at present macroeconomic volatility is high due to inefficiencies in management and utilization of public finances. Over the last decade, fiscal policy in the Kyrgyz Republic was insufficiently countercyclical, doing little to stabilize the economy and dampen volatility in output and inflation. Weak fiscal outcomes in recent years have resulted in the erosion of the fiscal space and accumulation of external debt, which might hamper the country's ability to manage future shocks. In addition, public investment is crowded out by a large and inefficient public sector, with the public wage bill alone consuming more than 14 percent of GDP.
41. **Strengthening fiscal, public investment, and SOE management is critical to maintaining economic stability and ensuring investments in productivity-enhancing infrastructure that facilitates private sector investment.** Macroeconomic stability and resilience need to be supported by the sustained, prudent management of the budget, keeping debt at a manageable level, and allowing space for proactive, counter-cyclical fiscal policy and sustained public investment. A framework of fiscal and debt rules would support this goal. At the same time, strengthened oversight of fiscal risks would enable the government to better manage risks of future budgetary shocks, including those arising from contingent liabilities and possible climate and disaster risks. Weak financial performance of SOEs in strategic and economically important sectors, such as energy, mining, transport, and banking, pose significant fiscal risks due to high debt and subsidies, which in turn undermines further investment in key infrastructure services on which the private sector and households rely. Increasing transparency of SOEs, including through regular financial auditing and reporting, is a critical first step to strengthened governance. The tax system, while generating sizable revenues, continues to have a narrow base due to widespread tax incentives and special taxation regimes, and continues to incentivize high informality. A more broad-based tax system could make revenue performance more sustainable while lowering tax burden on compliant taxpayers.

42. **WBG support to this objective will focus on efficient use of the public budget to finance key priorities and the strengthening of public financial and SOE management.** The WBG program to support this objective is shaped by learnings from core diagnostics (ASA) – the Country Economic Memorandum and the Public Expenditure Review carried out in 2020-21. Envisaged and ongoing activities include analytical work and technical assistance on the management of fiscal risks in the context of the on-going PPAs under IDA’s Sustainable Development Finance Policy (SDFP), public debt reporting and management, and medium-term fiscal anchors, and support for the enhancement of tax administration, public financial management, SOE management, and wage bill management. While development policy operations will be considered to support this agenda, given policy reversals in the last CPF period, this will be contingent on progress on key policy priorities. WBG support is expected to contribute to improved public sector management through reducing risk from contingent liabilities from SOEs and ensuring more predictable and better managed government expenditure.

Objective 1.2: Enhance conditions for business creation and growth

43. **The Kyrgyz private sector continues to be hamstrung by major obstacles to establishing and operating a business, with burdensome regulations and a judicial system that is not fit-for-purpose among the most fundamental barriers.** Pervasive corruption is the biggest problem reported by business-owners – the Kyrgyz Republic ranks 140th of 178 countries in Transparency International’s 2022 *Corruption Perception Index*. Yet, while direct efforts to tackle corruption are needed, it is also critical to address the legal and regulatory environment that both facilitates corruption and prevents the private sector from achieving and appropriating profits. Surveys report an astounding 800 steps to procure certain licenses. Such barriers result in most firms remaining small and informal – the rate of new business creation in the Kyrgyz Republic is only a third of the global average (1.27 per 1,000 people compared to 3.5, globally). Moreover, lack of legal certainty, weak property rights, and underperforming justice institutions contribute to an implementation gap of legal and regulatory frameworks across sectors and an uneven playing field where economically stronger and politically better-connected actors enjoy limited contestability. This acts as a major barrier to growth of smaller unconnected firms (especially MSMEs) and drives away foreign investors. At the same time, the inefficient and ineffective insolvency and debt resolution regime clogs the judicial system while preventing an efficient reallocation of capital to productive firms.
44. **Connecting the Kyrgyz private sector to regional and global value chains (GVCs) offers potential to expand opportunities for growth and shift toward higher value-added activities.** Transitioning to more sophisticated participation in GVCs, beyond commodities and into basic manufacturing products, would represent an opportunity to increase access to technology and knowledge for the domestic private sector, generate more and better-paid jobs, and strengthen resilience. Completing this transition will require a multipronged strategy including attracting FDI, strengthening linkages between domestic MSMEs and FDI, and reducing barriers to trade. It will also require improved regional and global connectivity, both through improved transport linkages and strengthened digital infrastructure.
45. **The WBG will continue to support reforms to improve the environment for the private sector, while also helping strengthen the capabilities of firms and connect them to regional and global markets.** Ongoing and planned activities in the CPF include improvements to the investment and business enabling environment, justice sector modernization, trade facilitation, and GVC integration reforms. Judicial system activities will focus on improving the performance of the judicial system for economic actors, with an emphasis on the needs of MSMEs, including analytical work to assess performance weaknesses and initiate technical assistance to improve service delivery aspects in specific courts. A new project is proposed which will focus on improving MSME competitiveness, trade, and GVC integration while creating more and better jobs. WBG support to regional transport will continue through the Central Asia Regional Links (CARs) program,

which takes a comprehensive approach to improving regional connectivity and creating market opportunities (CARs-3), and the Digital Central Asia-South Asia project (Digital CASA), which lays the foundations for digital transformation by catalyzing private sector investments and cross-sector infrastructure sharing, and by modernizing policies and regulatory frameworks.

Objective 1.3: Promote financial sector deepening and inclusion

46. **Lack of broad access to a range of financial instruments is a severe constraint for Kyrgyz firms to grow, transition, and adapt to shocks.** Only 26 percent of firms in the Kyrgyz Republic (and only 18.2 percent of female-headed firms) have access to bank credit compared to 94 percent globally. And beyond basic bank loans, the market lacks depth in diversified financial products and services – such as risk-sharing facilities, risk capital, investment products, insurance, and private pensions – that are critical to enable firms to expand, internationalize, and hedge risk, and for financial markets to develop. While the overall ratio of private sector credit to GDP reached 28.3 percent in 2020 from just 12.4 percent in 2010, it remains at less than half of the average of developing countries in Europe and Central Asia.
47. **Strengthening financial infrastructure and institutions is needed to expand and deepen the financial sector while also ensuring financial stability.** Access to financial services is limited in part by limited financial sector funding, due to a small domestic bank deposit base (just 28 percent of GDP), but also limited availability of banking infrastructure, underdeveloped digital financial services, and the negligible presence of non-bank financial institutions. It is important to strengthen the financial infrastructure such as credit bureaus and collateral registry to speed payments and lower the cost of finance as well as enhance competition by broadening financial products and services. At the same time, deepening of the financial sector must be achieved while also strengthening financial stability, particularly with risks rising. The non-performing loans ratio reached 13 percent in mid-2022, its highest level in more than a decade. The Kyrgyz financial sector also faces high physical and transition risk from climate change (as well as opportunities to mobilize green financial resources). Addressing stability risks and building credibility and trust in the financial system is critical to underpin the deepening of the sector.
48. **WBG support under this CPF objective combines access to finance with technical assistance on policy and institutional capacity building.** Ongoing emergency support for MSMEs to access finance through reimbursable financial assistance (RFA) and creation of a Portfolio Risk Sharing Facility (PRSF) has enabled many MSMEs to cope with and recover from overlapping crises, while TA supports financial sector regulators and supervisors to maintain financial stability during the crisis, while strengthening financial infrastructure and expanding financial instruments to support better recovery of firms and individuals. Building on this support, upcoming engagements will focus on 1) availability of long-term finance and long-term capital for firms’ faster recovery and growth, including the focus on green finance; and 2) regional export facilitation and diversification through partial credit guarantee financing. TA will also continue to support reforms necessary to strengthen overall financial sector stability, deepening and inclusion, including macro- and micro-prudential supervision, consumer protection, digital finance, digital currency, financial infrastructure, insolvency, and climate and disaster risk financing.

HLO2: Improved Access to Sustainably Managed Natural Resources

49. **HLO2 supports the government in leveraging its natural endowments to ensure a more inclusive, sustainable, and climate resilient development path.** At the economy-wide and household level, the Kyrgyz Republic is highly dependent on natural resources. Managing these resources efficiently and sustainably is critical to take advantage of private sector growth opportunities in agriculture and renewable energy. The WBG will assist the government to achieve this through harmonized infrastructure investments, supported by institutional reforms to create the conditions for private investment, focused on three CPF

objectives: 1) *increase access and efficiency in the water and agriculture sectors*; 2) *enhance sustainability and increase renewables capacity in the energy sector*; and 3) *strengthen infrastructure resilience to climate and disaster risks*.

Objective 2.1: Increase access and efficiency in the water and agriculture sectors

50. **Inefficient and unsustainable use of natural resources raises major risks to economic growth and livelihoods and is a source of fragility risk in the Kyrgyz Republic.** Intensive and unsustainable water use has serious impacts on the ecosystems, on economic growth, and on health. Severe land degradation impacts the provision of important ecosystem services such as food security, soil fertility, carbon sequestration, wood production, and groundwater recharge. These impacts are particularly severe in border areas and will magnify the impacts of natural disasters under climate change, significantly impacting the livelihoods of rural populations, aggravating existing urban-rural disparities, and raising fragility risks. These challenges are exacerbated by unbalanced regional development and gaps in infrastructure and service delivery that are sources of popular discontent.
51. **Reforms are needed in the water sector to deliver the government’s ambitions to expand access, while also ensuring financial sustainability.** Despite being well-endowed with water resources, only 54 percent of the rural population had access to safely managed drinking water supplies in 2020, and poor water supply and sanitation (WSS) was estimated to cost the country about 1.6 percent of GDP in 2017.¹² Meanwhile, irrigation and drainage infrastructure – which is crucial for rural livelihoods and food security – is inefficient, poorly maintained, and not resilient to climate change. The government has set targets to supply centralized drinking water to more than 2 million inhabitants in rural areas and to provide wastewater services to at least 70 percent of the rural population by 2026.¹³ However, the maintenance of the expanded WSS and irrigation systems will not be sustainable without undertaking significant reforms in the sector, notably through phased implementation of reforms to water tariffs to ensure the financial sustainability of service providers.
52. **Raising resource efficiency in agriculture is critical to driving export opportunities and supporting sustainable rural livelihoods.** Agriculture can support private sector led diversification through strengthened production in export-oriented sectors like horticulture, dairy, and meat, that have benefits for nutrition security. But increased attention is required to raising smallholder productivity and reducing degradation of croplands, grasslands, and forests, including through strengthened on-farm service provision, adoption of more climate adapted technologies, practices, and improved access to markets.
53. **WBG support under this objective will focus on strengthening institutional capacity and will be complemented by strategic infrastructure investments.** In the water sector, continued implementation of WSS investments targeted at the poorest regions (Chui, Issyk-Kul, and Osh oblasts) will be supported by ASA designed to inform the policy dialogue on universal access to safe water, tariff reforms and institutional capacity building. In the agriculture sector, the WBG will continue to support investments to raise productivity and help commercialize small farmers. At the regional level, the WBG continues to support the One Health initiative to protect food systems and enhance preparedness and prevention of pandemics. Moreover, expansion of the Kyrgyz Republic’s community driven development (CDD) portfolio into the Ferghana Valley offers an opportunity to connect with similar programs in Uzbekistan and Tajikistan to facilitate cross-border dialogue around natural resource management and address transboundary fragility, conflict and violence (FCV) drivers. The RESILAND program similarly offers

¹² The World Bank (2019). Central Asia: Regional Water Security (internal report). Washington, DC. World Bank.

¹³ Program for the Development of Potable Water Supply and Wastewater Systems in Settlements of the Kyrgyz Republic until 2026. Adopted by Government Resolution #330 dated June 12, 2020; <https://faolex.fao.org/docs/pdf/kyr205204.pdf>.

opportunities to support transboundary approaches to landscape restoration. Activities during this CPF period are expected to support improved financial sustainability in the water sector, and increased access to sustainable water supply and sanitation and irrigation services in lagging rural areas.

Objective 2.2: Enhance sustainability and increase renewables capacity in the energy sector

54. **In the energy sector, addressing fundamental sectoral reforms is critical to ensuring sustainability and catalyzing private investment in renewables.** The energy sector is struggling to meet the increasing demand in an affordable and financially sustainable manner. While winter supply gaps, which lead to load shedding and reliance on coal-based heating, partly stem from risks of the hydro-dominated supply mix, they are aggravated by dilapidated infrastructure with high losses. At the heart of the problem is a financially unsustainable tariff regime which is insufficient to support investment needed for maintenance and capacity expansion and is a major fiscal burden on the economy – cumulative debt in the sector is around 20 percent of GDP and is expected to triple by 2030 on current tariff plans. To ensure sustainable development of the sector in the medium to long term, the government needs to credibly develop, adopt, and publicize its energy reform plan. Development of renewable energy presents opportunities to increase capacity, diversify the energy mix, and generate export revenues, while gearing the sector toward a cleaner path. Several priority projects have been identified, including small hydro plants and Kambarata-1 large hydro plant, while solar generation offers further opportunities. However, investment in renewables remains hampered by the unsustainable financial situation in the sector, as well as by technical challenges with the grid and legal and regulatory gaps, which present barriers for PPPs.
55. **WBG support under this objective will focus on supporting critical reforms and the transition to renewable energy.** The WBG will continue to support comprehensive reform programs to put the energy sector on a sustainable path, through technical assistance, investments, and policy dialogue, notably through the Electricity Sector Modernization and Sustainability Project and a proposed programmatic engagement on renewable energy development. Activities during this CPF period are expected to support improved financial sustainability in the energy sector and increased investments in renewable energy.

Objective 2.3: Strengthen infrastructure resilience to climate and disaster risks

56. **High exposure to natural hazards, increasingly aggravated by climate change and natural resource degradation, risks undermining development progress, particularly for vulnerable groups.** As a mountain economy, the Kyrgyz Republic is highly exposed to natural hazards (e.g., mudflows, landslides, avalanches, floods, loss of glaciers, wildfires, earthquakes) and is the third most climate vulnerable country in Europe and Central Asia. People living in rural and mountainous areas are more vulnerable to climate impacts such as increased soil erosion and landscape degradation due to extended periods of drought and increased intensity of rainfall.
57. **Both access to finance and strengthened capacity is needed to enhance the Kyrgyz Republic's ability to mitigate climate risks and respond to impacts of climate change.** The Kyrgyz Republic has made progress in committing to address climate change, reduce land degradation, and protect its mountain ecosystems and wildlife; the country plays a leadership role on the global stage in the UN's Mountain Partnership. But the costs of implementing these commitments far outweigh the available resources. To meet climate commitments alone, the country is estimated to need US\$10 billion by 2030, including significant concessional resources. Moreover, significant capacity building is needed. Progress has been made in strengthening hydrometeorological monitoring and forecasting systems, but gaps remain in technical capacities and in delivering fit-for-purpose services. More also needs to be done to educate communities to raise awareness of climate risks and build their capacity to respond and adapt to impacts.

58. **WBG supports this CPF objective through proactive measures to reverse natural resources degradation and strengthen capacity to monitor and respond to climate and other shocks.** Support to strengthening preparedness and resilience to disasters will continue, including seismic resilience of schools, while the WBG will seek further opportunities to scale up support for disaster risk management and the modernization of hydrometeorological systems and services. Through the pipeline RESILAND project, investments are planned to restore degraded landscapes, support livelihoods, and build the resilience of landscapes and infrastructure to climate change. Support will also be provided to establish a national air quality management system and improve air quality in Bishkek through cleaner household heating and urban greening. To inform implementation of the Nationally Determined Contribution for the Kyrgyz Republic, technical assistance will be provided to support the government with a green financing roadmap to explore instruments and options to mobilize financial resources to meet climate commitments. A Country Climate and Development Report (CCDR) will lay out policy priorities for WBG engagement to support the country's development trajectory while facilitating the climate transition.

HLO3: Enhanced Human Capital and Empowerment of Vulnerable Populations

59. **HLO3 supports the government to close the gaps in human capital and voice which restrict access to economic opportunities, reduce welfare, and limit participation for vulnerable populations, particularly women and rural communities.** Sustained progress on the Twin Goals will depend on the Kyrgyz Republic's ability to strengthen human capital and enable all parts of the population and all parts of the country to participate in the economy. Ensuring more equitable development outcomes and more inclusive processes that support citizen engagement in decisions that affect them will also be critical to maintaining social sustainability in the context of rising climate and fragility risks. The WBG will assist the Kyrgyz Republic to deliver on this agenda through the following CPF objectives: 1) *improve service delivery for human capital development*, including raising the quality and efficiency of health, education, and social protection; and 2) *enhance economic empowerment and voice of vulnerable groups*, by promoting economic inclusion and voice of women in rural areas and lagging regions.

Objective 3.1: Improve service delivery for human capital development

60. **Addressing structural gaps in human capital and reversing pandemic losses is critical for realizing the potential of the demographic dividend in the Kyrgyz Republic and for ensuring that the benefits of growth are widely enjoyed.** Nearly one-third of the population in the Kyrgyz Republic is young. Yet, according to the World Bank Human Capital Index a child born in the Kyrgyz Republic is only around 60 percent as productive as an adult as s/he could have been if s/he enjoyed complete education and full health. COVID-19 aggravated structural gaps in human capital accumulation, resulting in learning losses and worsening health outcomes. To reverse the effects of the pandemic and to support sustained economic growth, the country will need to invest in high-quality education, effective health care, and strong social protection. In terms of education, the country must address gaps in early years and basic education, in the quality and equity of higher education, and in the skills training system, to overcome structural gaps and to align education with the government's plan to shift toward innovation in key sectors and support digitization. In health, the government has adopted successive reforms to transform its health system, however, the reform agenda remains largely unfinished, with large gaps in access (out-of-pocket payments represent 46 percent of current health spending) and quality of care, aggravated by the COVID-19 pandemic. The pandemic also highlighted the urgent need to reform and modernize the social protection system to be better equipped to respond to shocks, and to better support the neediest and the most vulnerable.

61. **WBG support under this objective will continue to focus on increasing equitable access to quality education, health, and social protection services.** Despite ongoing governance challenges which have slowed sector reform and delayed project implementation, the WBG's ability to deliver flexible support

allowed for a strong response during the pandemic. Ongoing support in education includes support to pre-schools and early childhood education, teacher training and development at basic education level, school construction (under CDD projects), and support to online education. Going forward, support will be extended to help the government operationalize its strategies to improve human capital and labor market outcomes through enhancements in program content, the delivery system, and research and innovation capacity of the higher education system. In the health sector results-based financing supports improvement of the quality of primary health care services. Engagement in social assistance and labor market programs will support the Kyrgyz Republic in mitigating the impact of the economic crisis on poor households and labor migrants and strengthen effectiveness and resilience of the social assistance and labor market programs delivery systems, to be better prepared for future shocks. Investments will also be made to close analytical gaps in understanding the needs for disability inclusion. WBG support during the CPF period is expected to contribute to increased access to education, health, and social protection programs and strengthened capacity / quality of higher education institutions.

Objective 3.2: Enhance economic empowerment and voice of vulnerable groups

62. **Proactive efforts are needed to facilitate access to jobs and entrepreneurship opportunities in lagging regions and for women across the country.** Most of the country’s rural poor work in locations with limited economic activities and operate outside formal social safety nets, so improved human capital alone may not be sufficient to ensure economic and social inclusion. Across all parts of the country, women face large barriers to economic, social, and political participation. Access to labor markets for women is limited even in urban settings, and opportunities for entrepreneurship are stifled by lack of access to finance – just 18 percent of female-headed SMEs have a bank loan or line of credit, compared to nearly 30 percent of male-headed SMEs.¹⁴ More broadly, women are largely excluded from decision-making, while regressive gender norms restrict female labor force participation and promote gender segregation in labor markets, while contributing to widespread gender-based violence (GBV). In this context, proactive interventions to tackle exclusion are needed, including through engagement and empowerment of women and rural communities, and leveraging community-level mechanisms to deliver livelihood opportunities.
63. **The institutional environment in the Kyrgyz Republic is supportive of efforts to promote women’s economic empowerment and community empowerment, but stronger implementation support is needed.** The country enjoys a relatively progressive legal framework, paving the way for women’s economic and social participation. However, some legal reforms are needed, including eliminating restrictions on women’s employment in certain occupations, mandating equal pay for equal work, and introducing paid paternity leave. Moreover, policies and programs are required to improve women’s well-being with the aim of facilitating their access to paid employment. There is also a need to comprehensively address barriers to women’s economic empowerment using holistic behavioral approaches that have proven most effective in changing mindsets of men and women in communities and, in turn, preventing GBV and discrimination against women’s leadership and paid work. The legislative environment also encourages citizens and civil society organizations to participate in village planning and public hearings, and this is implemented actively by the local self-governments (aiyl okmotus). However, mechanisms for inviting public input into policymaking are largely ineffective, and a growing share of the population feels alienated from the social compact. Therefore, engagement needs to be supported by stronger efforts to ensure transparency and accountability of government agencies and service providers to citizens/service users.
64. **WBG support under this objective will expand on successful community engagement approaches.** Ongoing Village Investment and CASA Community Support projects have demonstrated how CDD approaches can improve rural communities’ access to basic infrastructure and services. The WBG will continue building

¹⁴ World Bank Enterprise Survey (2019).

government capacity to develop and implement CDD investments to ensure they are responsive to differentiated local needs, promote livelihood opportunities, and engage vulnerable groups and youth. Under the CPF, the WBG will continue empowering vulnerable groups and youth to participate in planning, decision-making and oversight processes of infrastructure investments and training these groups in livelihoods-related skills and educating them about climate change. Engagement under the CPF will build on and expand the successful citizen engagement process, including by extending the digital citizen engagement platform from the VIP-3/CSP projects to other projects in the program. The WBG has also introduced the *Listening to the Kyrgyz Republic* and *Listening to Central Asia* surveys, which provide an evidence-based platform for engaging citizens in the policies that affect them, as well as support WBG project design.

65. **In the CPF, the WBG will shift to targeted activities to promote women’s economic empowerment.** The CPF will shift from “gender mainstreaming” to investing in stand-alone activities on gender and GBV and a standalone women’s economic empowerment ASA and project to address critical gaps in women’s income-generating opportunities, voice and agency, and GBV. Ongoing Emergency Support for MSMEs will address the gender gap in access to finance through targeted outreach to women-led firms. Women will be supported by providing access to livelihoods training (i.e., training on financial literacy, business proposal development, planning, problem-solving, communication), income generating opportunities, coaching/mentoring, and investing in services for GBV survivors. Activities in this CPF period are expected to contribute to increased access to finance by women-led businesses, increased access to training and livelihoods opportunities, and greater participation of women’s groups in investment projects.

3.4. Implementing the CPF

66. **Financial Envelope.** The CPF lending envelope for the first two years FY24-25 is derived from IDA20¹⁵ with additional lending for the three final years FY26-28 to be financed through IDA21. The IDA20 indicative allocation for the Kyrgyz Republic is SDR237.5 million, and it is expected that the IDA21 will be allocated in the similar amount, depending on available financing as well as performance and needs calculated through the Performance-Based Allocation system (PBA). The Kyrgyz Republic is also eligible to access funds from IDA20 Windows (up through FY25): IDA Regional Window, the Private Sector Window, the Crisis Response Window (CRW), and the Scale-Up Window (SUW) providing additional resources at non-concessional IBRD terms (Regular SUW) as well as through concessional Shorter Maturity Loans (SUW-SML).¹⁶
67. **CPF Implementation.** While there was substantial improvement in implementation performance of the previous CPF (FY19-23) program in pursuit of the core development challenges as reflected in the CPF objectives, key implementation challenges remain. For instance, the frequent political changes, in the context of a challenging governance environment and complicated decision-making processes led to backtracking on key reforms (e.g., energy tariffs, public procurement law). Effective program implementation was also impeded by frequent changes in the management and technical level leadership of implementing agencies. Despite WBG requests and government efforts, the signing and ratification process in the legislative and executive branches remains cumbersome and protracted. Overall implementation capacity of project implementing entities remains highly variable and continues to require intensive capacity building and support in project preparation and implementation.

¹⁵ References to future IDA21 volumes are indicative. Actual Country Allocations (PBA) are determined annually at the beginning of each fiscal year, based on: 1) total IDA resources available for the FY; 2) the number of IDA-eligible countries; 3) the respective country’s performance rating, GNI per capita, and population; and 4) performance and other allocation parameters of IDA borrowers.

¹⁶ 88 percent of the country’s PBA allocation is on 50-year 100 percent credit terms with the remaining 12 percent in the form of Shorter-Maturity Loans (PBA-SMLs). They are available only during IDA20, therefore, PBA-SMLs allocated to the Kyrgyz Republic must be utilized during the first two years of this CPF period, FY24-25.

68. **To enhance the impact of the WBG program implementation in the country, the CPF will pursue the following measures:** 1) maintaining flexibility to adjust to frequent political changes, while remaining committed to core development objectives; 2) deepening the evidence base and resolutely pursuing structured dialogue with the client to promote key reforms in fiscal stability, public procurement, and energy; 3) realistically considering the implementation and absorptive capacity of implementing agencies during project preparation, and having clear plan to address the identified capacity constraints during design and implementation; 4) focusing on improving the environment for inclusive and sustainable private sector led growth with a combination of analytical and operational engagement; and 5) enhancing mutual trust and maintaining continued dialogue with the client to effectively respond to emerging crises.
69. **Public Financial Management.** Improving financial management and government procurement is critical to raising the quality of governance and will remain a focus of WBG support during the CPF period. Many foundational elements of the public finance management (PFM) system are functional (e.g., existing PFM information systems and business processes relating to budget preparation and execution); however, several issues remain. These include the manual preparation of the budget and cash plans outside the system, lack of the central accounting system, and lack of integration between 1C accounting and IS4 systems. A series of advancements was introduced during the previous CPF period including the introduction of medium-term budgeting, strengthening capacity of the Ministry of Finance, supporting initial stages of the public sector accounting reforms, and developing the functional and technical design of the Financial Management Information System. However, the efficiency in managing public funds remains a challenge according to the recent 2021 Public Expenditure and Financial Accountability (PEFA) Assessment conducted for the central and subnational budgets. While the overall fiscal deficit was kept under control, the PEFA assessment showed several weaknesses including poor alignment of budgeting and strategic planning and policies, limited wage bill control capabilities, weak commitments controls with no monitoring of expenditure arrears, and weak fiscal risk management. As a result, budget reliability remains an issue potentially undermining service delivery as well as the ability to invest in needed infrastructure. In this regard, the government is working on the implementation of the 2017-25 Strategy for PFM Modernization. In September 2022 the government adopted a Roadmap on Increasing Budget Transparency and Accountability for 2022-23, which specifies required reforms in the areas of medium-term and performance budgeting, reporting on the budget execution, public investment management, expenditure arrears monitoring and reporting systems, and digitization of PFM processes. The WBG is working with the government to prepare a new project to address some of these issues.¹⁷
70. **Financial Management.** The WBG continues to work closely with the government to institute major reforms of the internal audit function which is now partially structured centrally as a unit within the MoF. While the internal audit methodology has been improved, a quality assurance and improvement program has been implemented, and support has been provided for professional development including adoption of appropriate training materials, there remains room for improvement with respect to frequency, quality, and distribution of audit reports as well as systematic management response to internal audit findings. The WBG also continues working closely with the Chamber of Accounts to support the development of the external audit function. While according to the PEFA 2021 assessment, the external audit function overall scored well (B+) and the Chamber of Accounts is deemed to have substantial independence in its operations and financing, there is still a need for further improvement with respect to international standards implementation and ensuring full independence.
71. **Procurement.** The initial government initiative to amend the PPL was assessed as a significant departure from international standards compromising the transparency, equal opportunity, and ultimately value for

¹⁷ Fiscal Governance and Reform Improvement Project (FY24; \$25 M).

money in the use of public funds. The amendments to the PPL adopted on July 25, 2023 retained competition as a method for public procurement but expanded the cases for which direct contracting could be used as a procurement method. These amendments, and any further changes to the PPL, would need to be re-assessed for continued use under the WBG-financed projects which are using public procurement systems (e.g., PforR). Should their impact be found unacceptable, it could potentially lead to suspension of application of the PPL for national competitive biddings under the WBG-financed operations, including any e-procurement system in use which follows the PPL.¹⁸ The World Bank, in close partnership with other IFIs (e.g., ADB, EBRD), will continue to maintain a strong dialogue with the government on promoting the enhancement of efficiency and integrity in public procurement.

IV. MANAGING RISKS TO THE CPF PROGRAM

72. **Overall risk to achievement of the CPF results is rated *substantial*.** The main risks associated with the development agenda that require attention because they may negatively affect the WBG program are: political and governance; institutional capacity for implementation and sustainability; macroeconomic, sector strategies and policies; and, fiduciary, which stand out as high and substantial.
73. ***Political and governance risk is assessed as high.*** Political risks arise from both external and internal factors and may affect progress on core elements of the CPF program. In terms of political risks arising from external factors, the main concern is the geopolitical instability (e.g., fallout from Russia's invasion of Ukraine, economic sanctions on Russia, armed clashes at borders) which may increase and pose considerable challenges. Internally, the political risks stem from a history of frequent changes in government and government's commitment to pursuing required reforms in critical areas (e.g., energy and public procurement). The governance risks arise from political-business ties, weak institutions, and deficiencies in the investment environment. The CPF will mitigate these risks through its long-standing anti-corruption and PFM reform support, through investment project financing, ASAs, and advisory work in energy. The WBG support to business environment improvement will play a major role in improving governance in the medium term.
74. ***Macroeconomic risk is assessed as substantial.*** It is likely that Russia's invasion of Ukraine will continue to have significant negative implications for the Kyrgyz Republic, leading to a high risk of decline in remittances, supply chain disruptions, currency depreciation and inflation. The CPF will focus on diversifying the economy, and strengthening macro-fiscal management through targeted ASAs, TA and supporting PPAs.
75. ***Sector strategies and policies risk is assessed as substantial*** because of the high-level uncertainty overshadowing the medium-term outlook, and mixed counterpart capacity. The CPF will assist the government in pushing reforms in potentially transformative sectors with lending, TA, ASA, and focused capacity building support.
76. ***Institutional capacity for implementation and sustainability risk is assessed as high.*** A lack of adequate capacity of project implementing agencies and poor coordination between government agencies are systemic risks to implementation of the WBG program. The CPF will mitigate these risks through enhancing the capacity of implementing agencies and providing training on project management, procurement, FM, and monitoring and evaluation. Building capacity for implementation will help address risks, but it is just

¹⁸ In addition to Primary Health Care Quality Improvement Program (P4R) (P167598), in the ongoing portfolio there are 12 operations which use the national procurement system.

as important to intensify supervision of implementation, to act upon feedback, and to hold the counterparts accountable through regular portfolio and project-level implementations reviews.

77. **Fiduciary risk is assessed as substantial.** The PPL as amended on July 25, 2023 retains competition as a method of procurement, but expands the cases under which direct contracting is permissible. The World Bank will continue the dialogue with the government to promote reforms in public procurement and strengthening the budget transparency and discipline, and explain the risks and consequences of frequent changes to the PPL. The Bank will monitor the impact of the amended PPL on the public procurement system, and if the impact of the changes is found unacceptable, the WBG projects will exclude the use of the PPL in its activities and will rely exclusively on the WBG’s procurement rules.

Table 3: CPF Risk Assessment and Mitigation

Risk category	Rating (L, M, S, H)	Explanation and mitigation measures (if the risk is High or Substantial)
1. Political and governance	High	Frequent changes in government lead to slow decision-making and backtracking on key reform efforts. The WBG program will focus on no-regret investments that have broad support, and ring-fenced implementation arrangements to minimize disruption.
2. Macroeconomic	Substantial	High dependence on remittances (from migrants to Russia) and gold exports makes the country vulnerable to shocks. The CPF will focus on diversifying the economy and strengthening fiscal risk management and stability.
3. Sector strategies and policies	Substantial	Frequent changes in government undercuts progress at policy and program level and aggravates already mixed counterpart capacity. The CPF will focus engagement on transformative sectors while promoting broad-based governance reform.
4. Technical design of project or program	Moderate	
5. Institutional capacity for implementation and sustainability	High	Counterpart capacity varies a great deal by sector. In addition to prioritizing sectors with long standing WBG engagement where capacity has been built, new project design will explicitly assess counterpart capacity and include capacity building activities and ring-fenced implementation arrangements to minimize risks.
6. Fiduciary	Substantial	The PPL was amended on July 25, 2023 and expanded the cases under which direct contracting would be permissible. The WBG projects will exclude the use of the PPL in its activities and rely exclusively on the WBG’s procurement rules in case assessment of public procurement systems under the amended PPL and any further changes are found unacceptable. The World Bank, in close partnership with the other IFIs, will continue leading evidence-based dialogue with government to explain the impact of changes in the PPL based on analysis of procurement data.
7. Environmental and social	Moderate	
8. Stakeholders	Moderate	
OVERALL	Substantial	

Annexes

Annex 1 CPF Results Matrix

Annex 2 Completion and Learning Report

Annex 3 Selected Indicators of the World Bank Portfolio Performance and Management

Annex 4 Operations Portfolio (IBRD/IDA and Grants)

Annex 5 Statement of IFC's Held and Disbursed Portfolio

Annex 6 MIGA's Guarantee Portfolio

Annex 1: CPF Results Matrix

High-Level Outcome 1 (HLO1) – Increased Private Sector Led Job Creation		
<p>The WBG will assist the government to strengthen policies, institutions, and implementation to boost private sector led job creation through interventions that: ensure a fiscal and financial management context that supports stability and efficiency; improve the environment for operating a business; and develop a deeper, more inclusive, and stable financial sector.</p> <p>HLO1 continues from the previous CPF, with a narrower focus on key barriers to the development of a diversified private sector. HLO1 is aligned with the priorities in the government’s National Development Strategy.</p>		
High-level Outcome Indicators	Data source	Current value (percent)
1. Private sector employment to working age population ratio, G¹⁹	Kyrgyz Integrated Households Budget and Labor Force Survey, National Statistics Committee	Overall: 50.9 (2020) Female: 36.7 (2020)
2. Formal share of total employment	Kyrgyz Integrated Households Budget and Labor Force Survey, National Statistics Committee	Overall: 40 (2020)
<p>High-Level Outcome Description</p> <p>Rationale</p> <p>Although the Kyrgyz Republic has recorded robust, inclusive growth since 2000, much of it was based on rapidly growing remittances, the growth of gold exports and a favorable external environment, which allowed for strong public sector spending. All these factors have either reversed or are reaching their limits, raising the urgency for job-creating and private sector led growth. This requires addressing long-standing structural barriers to the emergence of a dynamic private sector. At the heart of this is the need to ensure the business environment is fair and conducive, with the rule of law enforced, corruption arrested, and a stable policy and economic environment.</p> <p>WBG engagement</p> <p>The WBG engagement will focus on improving the environment for inclusive and sustainable private sector led growth that will provide more, better, and more sustainable private sector jobs, via a combination of analytical and operational engagements. Ongoing and envisaged activities include strengthened management of public funds and SOEs, improvements to the investment and business enabling environment, trade facilitation reforms, and support for integration in local, regional, and global value chains. WBG support will also aim to deepen the financial sector while maintaining financial stability and enhancing access to finance. Ongoing and envisaged activities to support financial sector development include: expanding the range of financial services, including for people to better cope with and recover from shocks; facilitating regional trade and economic diversification through partial credit guarantee financing; and boosting financial sector resilience to disasters and the provision of green finance.</p> <p>Knowledge gaps</p> <p>Given the importance of ensuring a level playing field for the emergence of a diverse and competitive private sector, an important knowledge gap exists in relation to competition policy and its implementation, the degree of contestability in different markets, and the role that different forms of state aid play in ensuring</p>		

¹⁹ Gender related indicators.

competitive neutrality. There is also a need to carry out in-depth productivity and competitiveness analyses for larger subsectors of services, agriculture, and manufacturing, as well as better understanding the obstacles to the creation of more productive and stable jobs by unlocking firm-level productivity constraints.

CPF Objective 1.1: Strengthen fiscal and SOE management

Description: The CPF will support the government to strengthen fiscal resilience and raise capacity for efficient management of public investments and SOEs to ensure more effective public investment and a more conducive environment for private investment.

Links to previous CPF: This objective continues from a previous CPF objective (*Strengthen institutions for improved macro management*), with a tighter focus on supporting the environment to promote job-creating private investment.

Rationale

Weak fiscal outcomes in recent years have eroded the fiscal space and led to an accumulation of external debt, which may hamper the country's ability to manage future shocks. In addition, public investments in productivity-enhancing infrastructure are crucial to facilitating private sector development and growth. However, such spending is crowded out due to a large and inefficient public sector, with the public wage bill alone consuming more than 14 percent of GDP. Strengthened oversight of fiscal risks would enable the government to better manage risks of future budgetary shocks, including those arising from contingent liabilities and climate and disaster risks. The tax system, while generating sizable revenues, continues to have a narrow base due to widespread tax incentives and special taxation regimes, and continues to incentivize high informality, leading to a high tax burden on a few that are under the normal tax regime. A more broad-based tax system could make revenue performance more sustainable while allowing to lower the tax burden of compliant taxpayers. Similarly, strengthening oversight of SOEs can help reduce fiscal risks from contingent liabilities, while promoting competition and ensuring the sustainability and effectiveness of critical infrastructure sectors.

Lessons Learned and New Knowledge at the Program Level

While the World Bank carried out key diagnostics during the recent CPF period – including the Country Economic Memorandum and the Public Expenditure Review – that identify the critical reforms to support the CPF objectives, political volatility has been a challenge in sustaining policy dialogue and results regarding this objective. Over the last CPF period, the World Bank delivered a Development Policy Operation supporting economic governance reforms; however, subsequent changes in government policy meant that some of the key actions were not sustained. Such reversals made it difficult to continue with the policy instrument, which would typically play a critical role in supporting this objective.

WBG Ongoing and Planned Support

Envisaged and ongoing activities include analytical work and technical assistance on the further analysis and management of fiscal risks in the context of the ongoing Policy and Performance Actions (PPA) engagement under IDA's SDFP policy, public debt reporting and management, medium-term fiscal anchors, operations that support the enhancement of tax administration, public financial management, SOE management, and wage bill management. Taking into account lessons learned from the CLR, the use of the DPO instrument will be contingent on progress on key policy priorities.

Key Risks and Mitigation

The country's institutional as well as macro-economic and fiscal policy performance is highly sensitive to domestic political instability, geopolitical situation in the neighborhood, Russia's invasion of Ukraine and sanctions against Russia, and the outlook for the global economy. While global risks are growing, the risk of domestic political instability leading to policy uncertainty and reversals is assessed to be moderate as the authorities have concluded a full political cycle in 2021 with a new presidential system in place, successful enactment of the new Constitution, following a referendum, and peacefully concluded parliamentary elections. It is expected that the government can focus now on policy planning, capacity building and implementation, which had largely stalled during 2020–21. This will mitigate macro-fiscal risks; it will also mitigate risks to the CPF program, as policy instability should lessen. The WBG will further mitigate policy risk by deepening evidence-based policy advice in a medium- and long-term perspective and pursuing a structured dialogue on fiscal stability.

CPF Objective Indicators	Supplementary Progress Indicators (SPIs)	WBG Program
<p>Indicator 1.1.1: SOE monitoring and reporting framework Baseline [2022]: No aggregate reporting on SOEs Target [2028]: Aggregate report on SOEs financial position, performance and ownership is prepared and published Source: Ministry of Finance</p> <p>Indicator 1.1.2: More predictable government expenditure (expenditure composition by function, as per PEFA indicator PI-2.1²⁰) Baseline [2021]: Greater than 15% in two of the last three years Target [2028]: Less than 15% Source: PEFA Assessment reports awarded “PEFA Check” certification</p>	<p>SPI 1.1.1: Develop and introduce a credit risk assessment methodology for SOE lending (Credit Finance Fund managed by the Ministry of Finance) from the State Budget Baseline [2022]: no formal methodology in place Target [2026]: methodology developed and introduced Source: Ministry of Finance</p> <p>SPI 1.1.2: Improve case management system for enforcement and tax collection Baseline [2019]: An automated case management system is not in place Target [2026]: An automated case management system is in place and the majority of routine enforcement activities are conducted using this system. Source: State Tax Service</p>	<p>WBG Program</p> <p>Ongoing Financing:</p> <ul style="list-style-type: none"> • Tax Administration and Statistical System Modernization Project (FY20; P163711; US\$35m) <p>Financing Pipeline:</p> <ul style="list-style-type: none"> • Fiscal Governance Reform and Improvement Project (FY24; P179471; US\$25m) <p>Ongoing ASA/TA:</p> <ul style="list-style-type: none"> • Tax Reform Technical Assistance (FY24; P167921) • Central Asia Poverty and Equity Program (FY26; P174603) • Effective Governance for Economic Development (FY26; P175696) • CA Infrastructure Governance Assessments (FY24; P177090) <p>Completed ASA:</p> <ul style="list-style-type: none"> • Improving Debt Management Practices in the Kyrgyz Republic (FY23; P178164) • Analysis of Local Governments Capacity for Better Service Delivery in the Kyrgyz Republic (FY22; P178182) • Fiscal Risk Assessment and Environmental Fiscal Policy (FY23; P178010) • E-Government procurement assessment (FY23; P179521) • Support to SOE Reform (FY23; P179561) • Civil Service Reform Support in the Kyrgyz Republic (FY23; P179515) • Kyrgyz Republic Fiduciary Update (FY23; P179682) <p>ASA Pipeline:</p> <ul style="list-style-type: none"> • Kyrgyz Republic Sustainable Development Finance TA (including DEMPA) (FY24; P501049) • Public Procurement Dialogue (FY24) • Judicial Functional Review (FY24; P181276) • Central Asia: Judicial Sector Financial Review and Expenditure Analysis in Central Asia (FY24) • Kyrgyz Republic InfraSAP (FY24; P500906)

²⁰ PEFA indicator 2.1 in the 2016 PEFA Framework measures “expenditure composition outturn by function” based on variance in expenditure composition by program, administrative or functional classification. The objective indicator is based on the functional classification.

CPF Objective 1.2: Enhance conditions for business creation and growth

Description: The CPF focuses on improving the operating environment for private firms and providing support for them to invest, grow, and become more productive.

Links to previous CPF: This objective is continued from the previous CPF, with its scope expanded to encompass a broader range of constraints on business and to incorporate transport and digital connectivity as critical elements supporting private sector growth.

Rationale

The private sector continues to be hamstrung by obstacles to business establishment, growth, and competitiveness. Pervasive corruption remains the biggest problem reported by business owners and this, along with associated excessive and burdensome regulation, must be tackled to unlock the potential of the private sector. Such barriers result in most firms remaining small and informal. Moreover, they exacerbate structural challenges to trade in the landlocked Kyrgyz Republic, blocking a critical channel for growth for the private sector, given the small size of the domestic market. The country ranks in the bottom quartile in the World Bank's Logistics Performance Index with trade impediments even more severe than in its double-landlocked neighbor Uzbekistan. Along with addressing trade-related reforms, improving transport linkages can contribute to growth and employment, as well as create market opportunities for the development of diversified trade and tourism. Strengthened digital connectivity through integrated domestic and regional infrastructure can help bring reliable and affordable Internet services to the citizens, link SMEs and workers to the regional and global digital economy and catalyze innovations in the delivery of public and private services.

Severe weaknesses in the performance of the Kyrgyz Republic's judicial system, in terms of efficiency of services, quality of services delivered, and access to services, is a critical barrier to the development of a modern private sector. Lack of legal certainty, weak property rights, and underperforming justice institutions contribute to an implementation gap of legal and regulatory frameworks across sectors and an uneven playing field where economically stronger and politically better-connected actors enjoy limited contestability. This is a major barrier to growth of smaller, unconnected firms (especially MSMEs), undermines the potential for firm integration in value chains, and drives away foreign investors. At the same time, with the considerable increase in non-performing loan ratios in the country, the inefficient and ineffective insolvency and debt resolution regime in the Kyrgyz Republic, which is closely interconnected with the judicial system, creates additional challenges to the performance of the judicial system.

Lessons Learned and New Knowledge at the Program Level

Global research highlights the severe underperformance of the Kyrgyz Republic's judicial system and its implications for efficient entry, exit, and allocation in the private sector. With regard to GVC participation, not only does the Kyrgyz Republic underperform in FDI attraction, but foreign firms in the country also underperform when compared to their peers in other countries in Europe and Central Asia: they employ fewer skilled workers; make less use of digital technologies; and are less integrated into trade. This suggests that any effort to boost FDI attractiveness must be accompanied by programs that maximize FDI spillovers and MSME integration in GVCs.

Transport and digital connectivity projects present an opportunity to also address the issues of unlocking the region's potential in participating in trade and GVCs. Alongside road construction and rehabilitation, projects can support local communities and small businesses to improve production and marketability of agricultural produce. Digitalization represents another opportunity area; however, implementation challenges remain, including a gap between expectations and institutional capacity. The WBG can play an important role by assisting authorities to develop a comprehensive digitalization strategy, and a realistic implementation plan. In many ways, the private sector has moved the digital agenda forward in spite of the government's slow progress in the area, and it would be important to maximize private sector participation in designing and implementing a digitalization strategy.

WBG Ongoing and Planned Support

The CPF will support the strengthening of the justice sector and judicial system in terms of efficiency, quality of services, access to services, and addressing the

ineffectiveness of insolvency and debt resolution regimes by shifting the insolvency regime from being heavily liquidation-oriented to increasing the avenues for rehabilitation of viable companies. Achieving this improvement, however, would only be possible provided that a comprehensive legal reform in insolvency, in line with international good practice, is fully completed. Activities will focus on improving the performance of the judicial system for economic actors, with an emphasis on the needs of MSMEs to address private sector development constraints due to weak justice and rule of law. Planned support will include analytical work to diagnose and assess performance weaknesses and initiate technical assistance to build client relationship and improve service delivery aspects in specific courts. This will provide the basis for a lending operation at CPF mid-term. The Kyrgyz Republic is one of the 50 pilot countries for the new Business Ready (B-Ready) methodology that is likely to continue measurements around the judicial system and business insolvency constraints to private sector development.

The WBG’s support will continue through the Central Asia Regional Links (CARs) program to increase cross-border connectivity and enhance regional integration to revitalize historically active economic exchanges in Central Asia and beyond, along the Silk Road. However, the program has evolved from a single focus on cross-border transport connectivity (CARs-1) towards a more comprehensive approach, improving regional connectivity and creating market opportunities (CARs-3).

Key Risks and Mitigation

The focus on identifying and addressing constraints to business and access to justice will call for a scaling up of dialogue and programs, and the objective indicators here are relatively ambitious given that much of the operational engagements to support these results are to be development during the CPF period. The cross-cutting nature of the agenda, which includes multiple stakeholders and agencies within the public sector, also poses a risk to coordinated action.

CPF Objective Indicators	Supplementary Progress Indicators (SPIs)	WBG Program
<p><i>Indicator 1.2.1: People can access and afford civil justice</i> Baseline [2022]: 0.47 out of 1.0 Target [2028]: 0.54 (current global average) Source: World Justice Project Rule of Law, sub-index 7</p> <p><i>Indicator 1.2.2. Improved regional digital connectivity</i> as measured by: <i>International Internet bandwidth per capita (kilobit per second per person)</i> Baseline [2024]: 20 Target [2026]: 50 Source: Digital CASA Project ISR</p>	<p><i>SPI 1.2.1: Improved internet penetration as measured by the length of fiber-optic network</i> Baseline [2017]: 16,281 Target [2026]: 39,030 Source: Digital CASA Project ISR</p>	<p>Ongoing Financing:</p> <ul style="list-style-type: none"> • Tax Administration and Statistical System Modernization Project (FY20; P163711; US\$35m) • Digital CASA - Kyrgyz Republic (FY18; P160230; US\$50m) <p>Financing Pipeline:</p> <ul style="list-style-type: none"> • Digital CASA-Kyrgyz Republic Additional Financing (FY24; US\$7m) <p>Ongoing ASA:</p> <ul style="list-style-type: none"> • Enhancing MSMEs Access to Global Value Chains (FY24; P178391) • Central Asia Financial and Private Sector Monitoring (FY25; P179645) • Trade Facilitation Advisory in Uzbekistan and the Kyrgyz Republic (FY24; P173128) • Improving Regional Digital Connectivity in Central Asia and Afghanistan (FY24, P170668) <p>Completed ASA:</p> <ul style="list-style-type: none"> • Regional Trade-Connectivity Linkages CA (FY23; P171131) • Cyber Resilience Program TA (TF0B1364; FY23; co-financing P160230 Digital CASA-Kyrgyz Republic)

		<p>IFC Advisory:</p> <ul style="list-style-type: none"> • Kyrgyz Resilience and Growth Project (FY20-24, P602792) • IFC PPP project 'Manas Airport' (P603201) <p>ASA Pipeline:</p> <ul style="list-style-type: none"> • Investments promotion needs assessment (FY24) • Country Economic Memorandum: Nurturing New Growth Drivers in the Kyrgyz Republic (FY25; P180956) • Judicial Functional Review (FY24; P181276)
<p>CPF Objective 1.3: Promote financial sector deepening and inclusion</p>		
<p>Description: The CPF will support deepening the financial sector to facilitate investment and risk management by firms and individuals, including through increasing access to finance, and expanding financial instruments, including long-term capital and trade finance, and strengthening financial infrastructure and stability.</p> <p>Links to previous CPF: This objective is continued from the previous CPF, with a focus on deepening the financial sector to promote inclusion, including facilitating digital financial services, climate change and sustainable finance, and financing solutions for gender gaps.</p>		
<p>Rationale</p> <p>Access to finance is crucial for firms to cope with shocks, adapt, transition, and grow. However, Kyrgyz firms and individuals face severe constraints in accessing finance. The ratio of private sector credit to GDP has been steadily increasing over the past decade, reaching 28.3 percent in 2020, but it remains at less than half of the Europe and Central Asia average. Many struggle to obtain bank loans due to high interest rates and collateral requirements – only 26 percent of firms (and only 18.2 percent of female-headed only) have access to bank credit compared to 94 percent globally, and many micro entrepreneurs operate without bank accounts. The CPF will address barriers faced by women in accessing finance, which impair women’s entrepreneurship, income-generating opportunities, voice, and agency. Digital financial services are a growing opportunity to strengthen financial inclusion, but the Kyrgyz Republic needs to catch up with global developments, especially with the emergence of FinTech and digital currencies. It is important to strengthen financial infrastructure such as credit bureaus, collateral registry and fast payments to lower costs of finance and enhance competition by broadening financial products and services.</p> <p>Deepening of the financial sector must also be achieved while also strengthening financial stability, particularly as the sector is already facing increased risks due to ongoing, multiple crises. Efficiency of non-performing loan workouts and readiness of insolvency systems will be important. Currently the Kyrgyz insolvency regime is heavily liquidation oriented and Kyrgyz banks have limited options for reducing non-performance of loans. The Kyrgyz financial sector also faces high physical and transition risk from climate change (as well as opportunities to mobilize green financial resources).</p> <p>Lessons Learned and New Knowledge at the Program Level</p> <p>Interventions during the previous CPF period were effective and timely in supporting MSMEs to maintain access to finance, particularly during the overlapping crises of the COVID-19 pandemic and Russia’s invasion of Ukraine. At the same time, risks in the financial sector have increased and ongoing support to financial sector policy makers and regulators has helped strengthen institutional capacity to be better prepared for potential financial crises and maintain financial stability. The ownership of the implementing institutions is extremely important to advance necessary reforms and to facilitate timely project implementation. The role of non-bank financial sector, such as insurance, pension, and capital markets, is limited, although they play important complementary roles in financing the economy.</p> <p>WBG Ongoing and Planned Support</p> <p>The ongoing emergency support for MSMEs to access finance through reimbursable financial assistance (RFA) and creation of PRSF has been timely and instrumental, and enabled many MSMEs to cope with and recover from ongoing crises. The financial sector development technical assistance project provides</p>		

timely advisory services to financial sector regulators and supervisors to maintain financial stability while also strengthening financial infrastructure and expanding financial instruments to support better recovery of firms and individuals from the crises. Building on this support, the upcoming financing engagements will support 1) availability of long-term finance for firms' faster recovery and growth, including the focus on green finance; and 2) regional export facilitation and diversification through partial credit guarantee financing. Technical assistance will also continue to further reforms to strengthen financial sector stability, deepening, and inclusion, including macro- and micro-prudential supervision, consumer protection, digital finance, digital currency, financial infrastructure, insolvency, as well as climate and disaster risk financing.

Key Risks and Mitigation

The risks are potentially high due to the envisaged areas of financing pipeline intending to create a new market for new products and services or substantially expanding the currently negligible presence in the market. They will be mitigated during the CPF period by ensuring client ownership, aligning with the government priorities, and leveraging on the successful interventions and client relationships established through the ongoing WBG support.

CPF Objective Indicators	Supplementary Progress Indicators (SPIs)	WBG Program
<p>Indicator 1.3.1: Domestic credit to the private sector (annual % of GDP) Baseline [2021]: 25.1% Target [2028]: 30% Source: NBKR / International Financial Statistics</p> <p>Indicator 1.3.2: Percentage of the population with active transaction accounts Baseline [2022]: 45% Target [2027]: 59% Source: Findex</p>	<p>SPI 1.3.1: Number of MSMEs that receive RFA Baseline [2022]: 4,240 Target [2026]: 12,000 of which female-led 4,800 Source: Emergency Support to MSMEs project</p> <p>SPI 1.3.2: Number of MSMEs that benefitted from PRSF Baseline [2022]: 2,177 Target [2026]: 4,400 of which female-led 1,760 Source: Emergency Support to MSMEs project</p>	<p>Ongoing Financing:</p> <ul style="list-style-type: none"> • Emergency Support for MSMEs Project (FY20; P174028; US\$50m IDA and US\$50m AIB) and AF (FY22; P177962; US\$50m) • IFC Investment in Financial Institutions (Demir Bank, KICB, Elet Capital, Bailyk Finance, Kompanion) • IFC Investment in the country's first private equity fund, Highland Capital <p>Ongoing ASA:</p> <ul style="list-style-type: none"> • Kyrgyz Financial Sector Development Project Trust Fund (FY24; P144989) • Central Asia Financial and Private Sector Monitoring (FY25; P179645) <p>IFC Advisory:</p> <ul style="list-style-type: none"> • IFC Central Asia Banking on Women Project (P605443; FIG upstream) • IFC Central Asia and Turkey Climate Program (FY23-25, P606853) • IFC Digital Financial Services (FY23-28, P607622) • Central Asia Financial Inclusion Project (FY20-24, P602131) <p>ASA Pipeline:</p> <ul style="list-style-type: none"> • Support to Operationalization of the State Development Bank (TA) (FY24)

High-Level Outcome 2 (HLO2) – Improved Access to Sustainably Managed Natural Resources		
<p>The WBG will assist the government to better manage natural resources to support livelihoods and promote sustainable growth by: improving access to and efficiency of water and agricultural services; improving the efficiency of the energy sector including strengthening the energy-water nexus; and strengthening resilience to climate change and natural disasters.</p> <p>Compared to the previous CPF, HLO2 recognizes the strategic importance of environment protection and management, disaster risk reduction, and climate resilience (which shifts from its position in HLO3 in the previous CPF).</p>		
High-level Outcome Indicators	Data source	Current value
<ol style="list-style-type: none"> 1. Energy intensity of the economy CC²¹ 2. People Using Safely Managed Sanitation Services²² 3. Climate change Vulnerability and Readiness (Resilience) Index²³ CC 	<ol style="list-style-type: none"> 1. International Energy Agency 2. WHO/ UNICEF Joint Monitoring Program 3. ND-GAIN Country Index 	<ol style="list-style-type: none"> 1. 4.95 MJ per 2017 USD PPP 2. 92% of the population (2020)²⁴ 3. Overall: 52.2; Vulnerability: 0.35; Readiness: 0.394 (2020)
<p>High-Level Outcome Description</p> <p>Rationale</p> <p>Given its unique structural conditions, opportunities for growth are most likely to emerge through tapping into the country’s abundant natural resources. Moreover, the vast majority of the population is dependent on natural resources for their livelihoods. At present, use of critical natural resources like water and energy is highly inefficient (water efficiency in the country is just 1/20th of the global average and the energy intensity of the economy is nearly double the global average) and resources like land are being rapidly degraded. Meanwhile, access to and quality of infrastructure services that rely on these resources is highly uneven across the country. Climate change will significantly aggravate resource risks in the future, with implications for growth and for the livelihoods and welfare of the poor.</p> <p>HLO2 will support government efforts to build the foundations for an inclusive and more resilient economy through harmonized infrastructure investments, supported by institutional reforms, that enhance energy markets, and support development through enhanced access to more sustainable and climate-resilient services in natural resource sectors, in particular supporting private sector opportunities for sectors like agriculture and water. These engagement areas are accorded the highest priority in the national development strategy, as they are expected to enhance the country’s potential to build foundations for inclusive job creation and growth through private sector development, productivity, and exports. The inclusion and job creation dimensions of the HLO 2 are closely linked and support the objectives of HLOs 1 and 3.</p> <p>WBG Engagement</p> <p>To support delivery of the HLO2 outcome, CPF engagement will focus on ensuring the quality of project implementation of the existing portfolio and expanding this engagement to include new investments that: 1) support the development of renewable energy, energy trade and water-energy cooperation; 2) improve financial</p>		

²¹ Climate change related indicators

²² Definition: “safely managed sanitation” is the use of improved facilities that are not shared with other households and where excreta are (to a limited extent) safely disposed of in situ or removed and treated offsite (Reference: <https://washdata.org/monitoring/sanitation>)

²³ A country's ND-GAIN index score is composed of a Vulnerability score and a Readiness score. Vulnerability measures a country's exposure, sensitivity, and ability to adapt to the negative impact of climate change. ND-GAIN measures the overall vulnerability by considering vulnerability in six life-supporting sectors – food, water, health, ecosystem service, human habitat and infrastructure. Readiness measures a country's ability to leverage investments and convert them to adaptation actions. ND-GAIN measures overall readiness by considering three components – economic readiness, governance readiness and social readiness. Annual updates. See: <https://gain.nd.edu/our-work/country-index/>, https://gain.nd.edu/assets/254377/nd_gain_technical_document_2015.pdf

²⁴ <https://data.worldbank.org/indicator/SH.STA.SMSS.ZS?locations=KG>

performance, operational reliability and access to services in the water and electricity sectors, as well as the efficiency and quality of heating; 3) develop multipurpose water storage and support climate-smart irrigation; 4) address key constraints to improvements in land productivity and the competitiveness of agri-food value chains by adopting climate-smart, modern technologies and restoration efforts; 5) scale up support for disaster risk management and strengthen landscape restoration and infrastructure of regional importance to climate change; and 6) enhance the national air quality management system and support priority measures to improve air quality.

Knowledge gaps

Strengthening the sustainability and management of natural resources will require addressing various knowledge gaps at the national and regional level. These include gaps in awareness of climate change impacts and how to build resilience through enhanced design of policies and plans, and in the operation of projects. It also includes gaps in hydrometeorological observation services, technical capacity, and the ability to translate hydrometeorological data into actionable information for a broad array of users. At the water-energy nexus it requires building the case for climate action, and thus buy-in for data exchange and water accounting within country and the region, including through addressing institutional and capacity gaps. For infrastructure services, such as water supply and sanitation, it will require addressing cost recovery through phased tariff reform and capacity support to ensure the sustainable delivery of services.

CPF Objective 2.1: Increase access and efficiency in the water and agriculture sectors

Description: The CPF will support greener and more inclusive growth through investments and reforms targeting: 1) *water and irrigation services*, with a focus on improving efficiency and reliability, and reducing regional disparities in service delivery; and 2) the *agriculture and land use* sectors, to raise productivity for enhanced private sector and livelihoods opportunities.

Links to previous CPF: The objectives covered here represent continued support from the previous CPF, pulling together aspects that were addressed in the previous CPF under Objectives 7 and 8 (Focus Area 3) on water supply and regional development.

Rationale

Economic growth is hampered by intensive and unsustainable resource use, including water and forests. Landscape degradation is also severe, especially in border areas, and will magnify the impacts of natural disasters under climate change, significantly impacting the livelihoods of rural populations and raising social and fragility risks. These challenges are exacerbated by unbalanced regional development and gaps in service delivery, infrastructure, and livelihood opportunities that are sources of popular discontent.²⁵

The Kyrgyz Republic is well-endowed with water resources, but faces high variability in water availability, which stands to be further exacerbated by climate change (e.g., flooding and droughts). In this regard, storage and modern irrigation and drainage infrastructure are crucial for rural livelihoods and food security. However, the country's extensive irrigation network and existing stock of storage is ageing, prone to costly inefficiencies, and was not designed to account for climate change. Access to water supply and sanitation (WSS) services also remains low. Large urban-rural and intraregional disparities and gaps in WSS infrastructure and service delivery, often coupled with poor provision of other basic municipal infrastructure, major contributors to popular discontent. Only 54 percent of the rural population had access to safely managed drinking water supplies in 2020, and poor water supply and sanitation is estimated to cost the country about 1.6 percent of GDP.

Raising resource efficiency in agriculture is critical to drive diversified growth and support sustainable rural livelihoods. Agriculture can support economic diversification through strengthened production in export-oriented sectors like horticulture, dairy, and meat, that have benefits for nutrition security. But increased attention is required to raising smallholder productivity and reducing degradation of croplands, grasslands, and forests, including through adoption of more climate adapted technologies and practices.

²⁵ Analysis of the Armed Conflict Location Event Dataset (ACLED) shows that over the period January 2018 to December 2021, the Kyrgyz Republic was more conflict prone than Uzbekistan and Tajikistan. Although most events were non-violent (82 percent), there has been a steady upward trend in protest over time (49 percent year over year). Most cross-border clashes are violent and represent the second most common form of violence. Conflicts are concentrated in Bishkek City, Batken, and Osh regions of the Fergana Valley.

Lessons Learned and New Knowledge at the Program Level

Lessons learned under the ASA Human Water Security and ongoing WSS operations include: 1) capacity building and knowledge exchange on small-scale sanitation is needed given the country's increasing interest to invest in wastewater infrastructure in rural areas and in small towns along the Issyk-Kul Lake; 2) stakeholders recognize the need to increase tariffs for water supply and sanitation, and irrigation, services to ensure financial sustainability of service providers but need strong support to phase in implementation of tariff reforms; 3) climate change considerations should be included into design norms to ensure that climate change adaptation approaches are embedded in organizations to avoid the risk of going back to old practices.

The Bank's portfolio of CDD projects has demonstrated how CDD approaches can: improve rural community's access to basic infrastructure and services; empower vulnerable groups to actively engage in project activities using digital and traditional citizen engagement methods; and institute robust grievance systems. The expansion of the Kyrgyz Republic's CDD portfolio into the Fergana Valley has been accompanied by the expansion of similar programs in neighboring regions of Uzbekistan and Tajikistan, thereby representing an opportunity to address transboundary FCV drivers through expanding cross-border economic activities (focusing on women and youth) and supporting cross-border dialogue around natural resource management. For improved O&M, the projects now require defining the preliminary costs and agreement on the end-users/municipalities to ensure their allocation in the local budgets or proposing an economic model that would allow income generation to ensure sustainability of the delivered assets.

WBG Ongoing and Planned Support

To address knowledge gaps in the water sector, a regional ASA is proposed on Strengthening WSS service delivery in the Kyrgyz Republic (2024-28) to complete 1) a Utility Performance Assessment and Turnaround Action Plan, and 2) Assess Tariff Settings and Operationalization of Tariff Review Reforms.

Interventions to strengthen on-farm service provision and capacity, the adoption of climate-resilient technologies, and improved access of farmers to markets and agri-food enterprises, will facilitate the emergence of export-oriented agri-food systems and improvements in food security and nutrition. By restoring and supporting more sustainable management, degraded landscapes will be more resilient to natural disasters and climate change, and opportunities for resilient livelihoods based on natural resources will be enhanced for vulnerable members of communities, including women and youth. To protect food systems and enhance preparedness and prevention of pandemics (e.g., zoonoses), ministries of health, agriculture and environment are engaged in a regional One Health initiative that will prepare a joint framework for action to address gaps in capacity and response at the national and regional level.

MIGA has provided guarantees to a foreign investor in support of the Smart agriculture industry, which is in line with the WBG priority areas of IDA and Climate Finance. MIGA will continue to seek opportunities including through collaboration with the World Bank and IFC to provide guarantees in agriculture and water sectors. The WBG plans to continue support to address lagging regions, including through a national CDD project that will support climate-resilient infrastructure and services for rural areas and strengthen local capacity for participatory development. In addition to identified pipeline operations, the CPF envisions continued support on agriculture sector development and in addressing access to water supply services in the outer years of the CPF.

Key Risks and Mitigation

As the economy builds back from the COVID-19 shock and faces increasing volatility in global commodity and energy markets, policymakers' attention will be focused on near-term objectives, with potential for diversion of resources and efforts from tackling longer-term water and food security, with impacts on regional fragility. Addressing these challenges require strong analytical advice and implementation guidance before major decisions are made. Policy dialogue remains limited on strengthening local governance and improving the quality of local service delivery. Institutional capacity for implementation is one of the key risks.

To mitigate these challenges, the program includes a programmatic approach to strengthen cooperation across energy and water engagements (under objectives 2.1 and 2.2) that are intrinsically linked so that projects learn from and complement each other, creating a medium to long term path, responding to systematic issues and building capacity for implementation.

CPF Objective Indicators	Supplementary Progress Indicators (SPIs)	WBG Program
<p>Indicator 2.1.1. People living in rural areas and small towns in Chui, Issyk-Kul, and Osh oblasts provided with access to safely managed water supply services (Number)²⁶ Baseline [2022]: 107,456 Target [2028]: 298,000 Source: SRWSSDP¹⁰, CRWSP¹¹</p> <p>Indicator 2.1.2. Farmers in Batken, Jalal-Abad, and Osh Oblasts provided with improved irrigation and drainage services (Number)²⁷ G Baseline [2022]: 0 Target [2028]: 16,800 Source: CRWSP</p> <p>Of which female (percentage)²⁸ Baseline [2022]: 0 Target [2028]: 5%²⁹ Source: CRWSP</p> <p>Indicator 2.1.3. Increase in dairy³⁰ and/or horticulture productivity within selected agri-food clusters in Osh, Chui, Jalal-bad and Naryn oblasts (percentage) Baseline [2022]: 0 Target [2027]: 10%</p>	<p>SPI 2.1.1. Improvements in access to services and infrastructure in rural communities (measured by percentage of sampled beneficiaries who report improved access to infrastructure and services) G Baseline: 0 (2015) Target [2024]: 70% women, 70% men Source: VIP-3 AF</p> <p>SPI 2.1.2. National Program for climate resilient water services developed and aligned with National Water Resources Strategy 2040 CC Baseline [2022]: No Target [2026; intermediate]: Yes Source: CRWSP</p> <p>SPI 2.1.3. Number of Farmers reached with agricultural assets or services G (number by gender) Baseline [2022]: 0 Target [2026]: 8,000 (of which 1,600 women) Source: IDPIP-AF, RED 1 and 2, and RACDP</p>	<p>Ongoing Financing:</p> <ul style="list-style-type: none"> National Water Resources Management Project (FY15; P144336; US\$12.24m) Sustainable Rural Water Supply and Sanitation Project (SRWSSP) (FY16; P154778; US\$59.5m) Climate Resilient Water Services Project (CRWSP) (FY22; P173734; US\$100m) Integrated Dairy Productivity Improvement Project AF (FY21; P155412; US\$17m) Kyrgyz Republic Regional Economic Development Project (FY20; P167428; US\$60m) Second Regional Economic Development Project (FY22; P175587; US\$50m) Third Village Investment Project AF (COVID-19) (FY21; P146970; US\$17m) MIGA IWS Smart Farm (FY23; ID14953; issued guarantee of US\$3.87m) <p>Completed Financing:</p> <ul style="list-style-type: none"> Integrated Dairy Productivity Improvement Project (FY17; P155412; US\$5m) Third Village Investment Project (FY15; P146970; US\$12m) <p>Financing Pipeline:</p> <ul style="list-style-type: none"> Kyrgyz Republic: Resilient Agri-food Clusters Development Project (FY24; P178120; US\$25m IDA + US\$5m Global Agriculture and Food Security Program) RESILAND CA+: Kyrgyz Republic Resilient Landscape

²⁶ This indicator refers to people living in rural areas and small towns. Definition: “safely managed” refers to drinking water from an improved water source that is accessible on premises, available when needed and free from fecal and priority chemical contamination. Reference: <https://washdata.org/monitoring/drinking-water>.

²⁷ This indicator measures the cumulative number of farmers (WUA members) that benefit from improved irrigation and drainage services because of the project interventions. At the national level, there are about 283,412 WUA members across all 7 Oblasts out of which 36,915 in Batken, 63,673 in Jalal-Abad, and 77,766 in Osh oblast. Not all farmers/farmer households in the Kyrgyz Republic are WUA members (farmers who are not WUA members might not be officially registered), so this should be considered as a proxy only. Also, these numbers refer to irrigated agriculture only as the number of farmers employed in agriculture is much higher. Target represents 9.4 percent of farmers in target districts or 5.9 percent nationally.

²⁸ This indicator measures the percentage of female farmers (WUA members) who benefit from improved irrigation and drainage services because of project interventions.

²⁹ WUA memberships are very male-dominated and often linked to land holding titles, thus favoring male representation under a one member per household policy. It is estimated that about 8 percent of individual members in WUAs are women (11 percent in Batken oblast, 10 percent in Jalal-Abad oblast, and 8 percent in Osh oblast), however, only a portion of these women are involved in irrigation and drainage services. Therefore, the target is set at 5 percent under the new Climate Resilient Water Services Project.

³⁰ Dairy cluster is already covered by WBG financed IDPIP in Issyk-Kul, Naryn & Talas and the RACDP will expand the coverage to 2 new regions (Chui and Jalalabad).

<p>Source: IDPIP-AF, RED 1 and 2, RACDP³¹</p>		<p>Restoration Project (FY24; P177407; US\$45m IDA (US\$15m IDA national + US\$30m IDA regional); US\$5m GPSRL; and US\$2.4m KWPF)</p> <ul style="list-style-type: none"> • National Community Initiatives Project (FY25; US\$25m) • Kyrgyz Republic Rural Water Supply Universal Access (FY25; US\$100m)³² • New agriculture project (FY26/27; amount TBC) • Central Asia One Health project (regional; FY25; amount TBC) <p>Ongoing ASA:</p> <ul style="list-style-type: none"> • Facilitation of Regional Dialogue and Development Partnerships on Water & Energy Security in Central Asia (FY24; P166867) • Central Asia One Health Framework for Action – Protecting Food Systems, Preventing Future Pandemics (FY24, P179272) <p>Completed ASA:</p> <ul style="list-style-type: none"> • Institutional Assessment of Community Development and Investment Agency (ARIS) (FY23; P179585) <p>ASA Pipeline:</p> <ul style="list-style-type: none"> • Agriculture sector public expenditure review (FY24-FY25) • Energy efficient water services in Central Asia (FY24) • Central Asia Regional Food Security (FY24) <p>Completed RETF:</p> <ul style="list-style-type: none"> • Agriculture Productivity and Nutrition Improvement Project (FY16; P132754; US\$38 m)
<p>CPF Objective 2.2: Enhance sustainability and increase renewables capacity in the energy sector</p>		
<p>Description: Under this objective, the CPF will support the Kyrgyz Republic in promoting a greener, more sustainable and efficient energy sector through investments and reforms focused: 1) in ensuring fiscal sustainability of the energy sector, through tariff reforms and investments, measures and policies to improve efficiency; and 2) promoting greener and more sustainable energy production through increased generation of renewable energy.</p> <p>Links to previous CPF: The objective represents continued support from Objective 4 of the previous CPF “Enhance growth of natural resource sectors, especially hydro-power”, which supported improved financial management in electricity and thermal power; and strengthened regulatory methodology in the energy sector.</p>		
<p>Rationale</p> <p>The energy sector is confronted with multiple inter-linked challenges which is now struggling to meet the increasing demand in an affordable and financially sustainable manner. The sector suffers from supply shortages in winters leading to load shedding and increased reliance on coal-based heating, which significantly contribute to air pollution in cities. Supply gaps result in part from a hydro-dominated supply mix prone to various risks, such as low hydrology and climate change,</p>		

³¹ IDIP targets dairy cluster. RED 1 & 2 have open menu but the first round of Productive Partnerships in RED1 are targeting dairy and horticulture products in Osh region. RACDP will target 2 agri-food clusters – dairy (in Chui and Jalalabad) and horticulture (in Naryn and Jalalabad).

³² The timing will be subject to availability of financing

but is aggravated by dilapidated infrastructure with high losses, the result (and contributor to) a tenuous financial situation stemming largely from very low and stagnant tariffs that are insufficient to support the investment needed for maintenance and capacity expansion. To address these challenges, the government has embarked on a broad reform program with an aim of transforming the energy sector toward a sustainable and affordable future. Approval of the updated Medium Term Tariff Policy for 2021-2025 represents an important initial step toward sector sustainability, while the Energy Sector White Paper and Reform Roadmap (under preparation) sets out an ambitious implementation roadmap for reforms over the next decade.

Alongside reforms to the sector, further development of renewable energy (hydro and solar), taking advantage of the country's abundant resource endowments, present opportunities to increase capacity, diversify the energy mix, and generate export revenues, while gearing the sector toward a cleaner path. The least cost generation plan has identified high potential projects, including small hydro plants and Kambarata-1 large hydro plant to increase the existing hydropower output in the near and longer run. Solar generation would contribute to meeting domestic demand at low cost, diversify sources of supply, and improve resilience to seasonal hydro variability, droughts, and climate change.

Lessons Learned and New Knowledge at the Program Level

Despite the government's prior efforts and recent momentum, the development of renewable energy has been limited and key barriers and challenges still remain, including: 1) *technical challenges*: integration of variable renewable energy could present challenges to the network adequacy and system stability. In its current dilapidated state, the system can hardly service the existing demand, not to mention service additional load needed to balance renewable sources of power supply; 2) *legal, regulatory, and institutional capacity challenges*: the country has recently drafted and passed a Renewable Energy Law to boost private sector participation in the sector, however, there remains legal gap regarding the potential use of PPPs and competitive process such of auctions as pricing mechanisms for IPPPs or PPPs; and 3) *financing challenges*: investments in new generation assets by private or state-owned foreign companies and international finance institutions (IFIs) is inhibited by the unsustainable financial situation of the sector.

Beyond these challenges, delivering energy tariff reforms is politically complex, and requires a long-term political commitment, accompanied by an effective communication plan. To ensure sustainable development of the sector in the medium to long term, the government needs to credibly develop, adopt and publicize its energy reform plan. In support, the WBG should develop an MPA to facilitate energy sector investment and reform aiming at elimination to subsidies to restore financial viability to the sector whilst providing targeted support vulnerable groups. A presence and activity in social media, and through outreach events like high-level forums, are important for WBG visibility and gaining support for difficult reforms in government and society.

WBG Ongoing and Planned Support

The WBG will continue to support comprehensive reform programs to put the energy sector on a sustainable path, through technical assistance, investments, and policy dialogue, notably through the Electricity Sector Modernization and Sustainability Project and the proposed MPA on Renewable Energy Development. The investments aim to improve operational reliability and efficiency of electricity and heating and will support the Kyrgyz Republic to increase its renewable energy capacity (hydro and solar) and diversify electricity generation through public and private financing.

Key Risks and Mitigation

The Kyrgyz Republic energy reform program is in the initiation phase and aims to address several complex challenges, which are compounded by the global energy crisis. The main risk associated to these challenges is the public acceptability the government capacity to build acceptability and manage potential social tensions. To mitigate these challenges, the program builds in a public communications campaign and a related social protection project prepare the appropriate social safety nets. In addition, the program includes a programmatic approach for the energy reforms and investments, where projects learn from and complement each other, creating a medium to long term path, responding to systematic issues and building capacity for implementation.

CPF Objective Indicators	Supplementary Progress Indicators (SPIs)	WBG Program
<p>Indicator 2.2.1. Improved electricity sector fiscal impact as measured by the cash collected per kWh of distributed electricity (KGS/kWh)</p> <p>Baseline [2022]: 1.6 Target [2027]: 2.00 Source: Electricity Sector Modernization and Sustainability Project ISR</p> <p>Indicator 2.2.2. Increased generation from renewable energy (Gigawatt-hour (GWh)) CC</p> <p>Baseline [2022]: 0 Target [2027]: 200 Source: Kyrgyz Renewable Energy Development Project ISR</p>	<p>SPI 2.2.1 Cost recovery tariff trajectory established and implemented over time</p> <p>Baseline [2022]: Tariff setting methodology without principles of full cost recovery applied Target [2027]: Energy tariffs adjusted in accordance with new tariff methodology and Medium-Term Tariff Policy Source: Electricity Sector Modernization and Sustainability Project ISR</p> <p>SPI 2.2.2. Generation capacity of renewable energy constructed or rehabilitated (MW) CC</p> <p>Baseline [2022]: 0 Target [2027]: 120 Source: Kyrgyz Renewable Energy Development Project ISR</p> <p>SPI 2.2.3. Percentage of villages with improved electricity supply for household and/or productive purposes because of project support</p> <p>Baseline (2022): 0 Target (2024): 70% Source: CASA-1000 CSP</p>	<p>Ongoing Financing:</p> <ul style="list-style-type: none"> Heat Supply Improvement Project (FY17; P157079; US\$41m) and AF (FY24; P180748; US\$6.9); plus US\$2.66m co-financing from Swiss) Electricity Sector Modernization and Sustainability Project (FY22; P177871; US\$50m; and US\$8m co-financing from SECO) Phase I of Kyrgyz Renewable Energy Development Project (FY23; P178286; US\$67.7m; plus US\$12.5m co-financing from the Green Climate Fund) CASA1000 Community Support Project (P163952, US\$10m) and AF (FY21, P174285, US\$21m) <p>Financing Pipeline:</p> <ul style="list-style-type: none"> CASA 1000 – Additional Financing (FY24, P181218; US\$18.3m) Central Asia Regional Electricity Market Interconnectivity and Trade Project (FY24, P181214; US\$15m) Phase II of Kyrgyz Renewable Energy Development Project (FY25; US\$8m IDA guarantee) Phase III of Kyrgyz Renewable Energy Development Project (FY26/27; amount TBC) Technical Assistance for Kambarata Hydropower Project (FY24; P181086; US\$3m plus US\$2m ESMAP grant) <p>Ongoing ASA:</p> <ul style="list-style-type: none"> Supporting Energy Sector Reform to Improve Financial Viability PASA (FY24; P174466) Scaling-up Regional Energy Interconnectivity in CA (FY25; P178748) IFC PPP Project ‘Kyrgyz Solar’ (P607197) <p>Ongoing RETF:</p> <ul style="list-style-type: none"> Kyrgyz Republic: CASA1000 Community Support Program – Community Mobilization (FY18; TFOA6612)
<p>CPF Objective 2.3: Strengthen infrastructure resilience to climate and disaster risks</p>		
<p>Description: The CPF will support Kyrgyz Republic to protect and manage the environment and natural resources by enhancing ecosystem services, decreasing pollution, and increasing resilience to climate change and natural disasters.</p>		

Links to previous CPF: This objective represents continuity with the previous CPF, with the objective shifted from HLO (Focus Area) 3 to HLO 2 in recognition of the important links with broader environmental sustainability and natural resource management concerns.

Rationale

The Kyrgyz Republic is highly exposed to natural hazards and is the third most climate vulnerable country in Europe and Central Asia. Frequent and often local disasters critically undermine development and economic growth, particularly for vulnerable groups living in rural and mountainside areas and pose a risk to vital infrastructure. While the country has made progress in committing to reduce climate change, reduce land degradation, and protect its mountain ecosystems and wildlife, the costs to implement these commitments far outweigh available resources. To meet climate commitments alone, the country is estimated to need US\$10 billion by 2030³³.

Lessons Learned and New Knowledge at the Program Level

Progress has been made in strengthening hydrometeorological monitoring and forecasting systems, and regional collaboration, for example through, more robust data exchange, development of a regional weather forecasting system and a flood early warning system, complemented by shared learning. However, there remain gaps in some observation networks and technical capacities, and most importantly in delivering fit-for-purpose services that adequately respond to the vast array of user needs (through better targeted and more robust weather, climate, and water information across timescales). More also needs to be done to engage program and project beneficiaries to raise awareness of climate risks and build their capacity to respond/ adapt to impacts. To this end, there is need for a comprehensive analysis of the intersection between climate and development goals to inform strategic programming, and more research to educate communities and help them prepare for environmental changes.

WBG Ongoing and Planned Support

In FY23 a second Additional Financing was approved to the ongoing Disaster Risk Management IPF (Enhancing Resilience in Kyrgyzstan; P162635) and will continue to support on safer schools. Additional engagement opportunities will be explored to further engage with the government to scale-up support for disaster risk management, potentially through a CAT-DDO. Under the pipeline RESILAND project, investments are planned in restoring degraded landscape, supporting livelihoods, and building resilience of landscapes and infrastructure to climate change through enhanced monitoring capacity and mitigation measures.

The Air Quality Improvement Project (AQIP) will support establishing the national air quality management system and improve air quality in Bishkek through cleaner household heating and urban greening. The heating sector issues are being addressed under the ongoing Heat Supply Improvement project to improve energy efficiency and reduce seismic risks of public buildings, and the pipeline AQIP through the introduction of cleaner solutions in the residential sector, as well as in ongoing Energy Sector PASA.

To inform implementation of the Nationally Determined Contribution for the Kyrgyz Republic, technical assistance will be provided to support the government with a green financing roadmap to explore instruments and options to mobilize financial resources to meet climate commitments, track government spending and private sector investment projects. A Country Climate and Development Report will lay out policy priorities for WBG engagement to support the countries development trajectory while supporting green economic growth.

Key Risks and Mitigation

Key risks include the changing political environment and priorities, the low capacity of coordinating ministries, partially due to ministerial and technical staff

³³ Kyrgyz Republic: Updated Nationally Determined Contribution, 2021.

turnover, and external conditions such as high inflation costs. These will be mitigated by focusing on robust, “no-regrets” investments, supported by targeted capacity building to facilitate buy-in to engagements that are resilient to changes in administration.

CPF Objective Indicators	Supplementary Progress Indicators (SPIs)	WBG Program
<p>Indicator 2.3.1. The development of climate-resilient infrastructure in rural oblasts (as measured by the number of ayil aimaks in rural oblasts with subprojects that support climate resilience) CC Baseline [2021]: 0 Target [2025]: 428 (of 453) Source: VIP-3 AF, CASA-1000 CSP and its AF³⁴</p> <p>Indicator 2.3.2. Farmers adopting improved agricultural technology, of which women CC G (CRI, number by gender) Baseline [2022]: 0 Target [2027]: 18,000 (of which 8,000 women) Source: IDPIP-AF, RED 1 and 2, RACDP</p> <p>Indicator 2.3.3 Unified National Air Quality Management System³⁵ CC Baseline [2023]: No Target [2028]: Yes Source: Air Quality Improvement Project</p> <p>Indicator 2.3.4. An integrated mudflow and glaciers monitoring system is established in</p>	<p>SPI 2.3.1. Prioritized climate change adaptation public investment program prepared Baseline [2022]: No Target [2026]: Yes Source: CCDR</p> <p>SPI 2.3.2. New or rehabilitated urban public spaces (m²)³⁷ Baseline [2020]: 0 Target [2026]: 300,000 Source: RED-1, RED-2</p> <p>SPI 2.3.3. Number of households provided with improved and cleaner heating services (number supported through IDA funded project) CC Baseline [2023]: 0 Target [2026]: 2,000 Source: Air Quality Improvement Project</p> <p>SPI 2.3.4. Bishkek has an AQ management plan and operational AQ monitoring network CC Baseline [2023]: No</p>	<p>Ongoing Financing:</p> <ul style="list-style-type: none"> Enhancing Resilience in Kyrgyzstan (FY18; P162635; US\$20m) and AF (FY20; US\$55m), and AF2 (FY23; P180365; US\$30m) Kyrgyz Republic Regional Economic Development Project (FY20; P167428; US\$60m) Second Regional Economic Development Project (FY22; P175587; US\$50m) Third Village Investment Project AF (COVID-19) (FY21; P146970; US\$17m) CASA-1000 Community Support Project (FY17; P163592, US\$10m) and AF (FY21, P174285, US\$21m) Integrated Dairy Productivity Improvement Project AF (FY21; P155412; US\$17m) MIGA IWS Smart Farm (FY23; ID14953, issued guarantee of US\$3.87m) <p>Completed Financing:</p> <ul style="list-style-type: none"> Central Asia Hydrometeorology Modernization (FY11; P120788; US\$5m) Integrated Dairy Productivity Improvement Project (FY17; P155412; US\$5m) Third Village Investment Project (FY15; P146970; US\$12m) <p>Financing Pipeline:</p> <ul style="list-style-type: none"> RESILAND CA+: Kyrgyz Republic Resilient Landscape Restoration Project (FY24; P177407; US\$45m (US\$15m IDA national +US\$ 30m IDA regional); US\$5m GPSRL; and

³⁴ Total number of ayil aymaks in the country is 453, only 428 ayil aymaks will participate in VIP-3 AF and CSP AF. 25 ayil aymaks were excluded as those benefited from investments under the previous Third Village Investment Project. VIP-3 AF will provide subprojects to 241 ayil aimaks in the north (only those that received a subproject over US\$70k in VIP-3 are not eligible). CSP AF will provide subprojects to 187 ayil aimaks to cover all rural ayil aymaks in the oblasts in the south through which the CASA1000 transmission line passes. CSP covers 77 villages/settlements in the Corridor of Impact (defined as a 3 km-wide corridor centered on the final route of the Transmission Line).

³⁵ Air Quality (AQ) Monitoring network is expanded through addition of new automated AQ monitoring stations and enhanced emission source monitoring. An Integrated AQ and GHG Inventory Data Management System is in place and operational at the Ministry of Natural Resources, Ecology and Technical Supervision.

³⁷ This indicator will measure new or rehabilitated urban public spaces, measured in square meters, supported under RED-1 and RED-2 projects.

<p><i>the Ministry of Emergency Situations</i> CC</p> <p>Baseline [2024]: No Target [2028]: Yes Source: RESILAND project³⁶</p> <p><i>Indicator 2.3.5: Students (disaggregated by gender) having access to safer and resilient school facilities</i> (number of students) G CC</p> <p>Baseline [2018]: 0 Target [2026]: 24,000 Of which female: 12,000 Source: Enhancing Resilience in Kyrgyzstan</p>	<p>Target [2026]: Yes³⁸ Source: Air Quality Improvement Project</p> <p><i>SPI 2.3.5. Capacity of the government to plan and implement mudflow mitigation measures is enhanced in Osh and Jalal-Abad</i> (as measured by a number of rayons) CC</p> <p>Baseline [2024]: 0 Target [2026]: 2³⁹ Source: RESILAND project⁴⁰</p>	<p>US\$2.4m KWPF))</p> <ul style="list-style-type: none"> Central Asia Hydrometeorology Modernization (Phase 2) (FY25; P500796; US\$15m) Kyrgyz Republic Air Quality Improvement Project (FY24; P177467; US\$50m) Kyrgyz Republic: Resilient Agri-food Clusters Development Project (FY24; P178120; US\$25m IDA + US\$5m Global Agriculture and Food Security Program) New agriculture project (FY26/27; amount TBC) <p>Ongoing ASA:</p> <ul style="list-style-type: none"> Central Asia: Climate and Environment (CLIENT) Program (FY24; P170870) Central Asia: Strengthening Financial Resilience and Accelerating Risk Reduction Program (FY24; P168309) Central Asia: Low Carbon Climate Resilient Cities (FY24; P178094) <p>ASA Pipeline:</p> <ul style="list-style-type: none"> Country Climate and Development Report (FY25; P501004) Central Asia Air Quality Management (FY25; P500574)
---	---	---

High-Level Outcome 3 (HLO3) – Enhanced Human Capital and Enhanced Economic Empowerment of Vulnerable Populations		
<p>The WBG will assist the government to deliver inclusive economic growth and poverty reduction by closing gaps in human capital and social capital which restrict access to economic opportunities, reduce welfare, and limit voice and participation of vulnerable populations, particularly women and rural communities.</p> <p>HLO3 represents continuity with the CPF FY19-23 (<i>Economic opportunities and resilience</i>), with an enhanced focus on higher education as well as on approaches that increase inclusion, citizen engagement, and equal access to social and economic opportunities for women and populations in lagging regions. It puts increased emphasis on citizen engagement and empowerment, particularly of women.</p>		
High-level Outcome Indicators	Data source	Current value

³⁶ Measurement: establishment of an integrated mudflow and an integrated glaciers monitoring system at Ministry of Emergency Situations demonstrated through the establishment of centralized data management systems and monitoring networks.

³⁸ Project is targeting AQ management plans and operational monitoring networks in at least three cities (Osh, Jalalabad, and Bishkek) in Phase 1. This will be scaled up to cover other cities in the second follow-on operation.

³⁹ Note: the project will target several rayons (TBC) in Osh and Jalal-Abad (the two regions most impacted by mudflows). Total number of rayons is 42 in these oblasts but rayons for interventions will be determined during project preparation. The number of rayons with implemented mudflow mitigation measures to be determined during appraisal.

⁴⁰ Measurement: number of rayons with mudflow mitigation interventions implemented based on the availability of national strategic documents, roadmap and investment plan for mudflow mitigation combined with nature-based solutions.

<ol style="list-style-type: none"> 1. Human Capital Index 2. Labor Force Participation Rate, Female (% of female population ages 15+) G 3. Gap in average income per capita between the lowest income oblasts and national average 	<ol style="list-style-type: none"> 1. World Bank, Human Capital Project 2. Kyrgyz Integrated Households Budget and Labor Force Survey 3. World Bank, Poverty and Inequality Platform 	<ol style="list-style-type: none"> 1. 0.60 (2021) 2. Overall: 60.3% (2021); Female: 45.3% (2021) 3. 30% (2021)
<p>High-Level Outcome Description</p> <p>Rationale</p> <p>Sustained progress on the twin goals will depend in part on human capital improvements across all parts of the population and all parts of the country. Moreover, ensuring more equitable development outcomes, as well as more inclusive processes that support citizen engagement in decisions that affect them, such as on local development, planning, and budgeting, will be critical to maintaining social sustainability in the context of rising fragility risks.</p> <p>WBG Engagement</p> <p>To support delivery of the HLO3 outcomes, CPF engagement will focus on ensuring the quality of implementation of portfolio projects and expanding this engagement to include new investments that: 1) improve health and education outcomes of all individuals, and introduce effective and efficient ways of financing social services for all; 2) develop a skilled and employable population with focus on research and innovation and higher education system; 3) enhance training opportunities and active labor market policies to improve employability of youth and vulnerable population; 4) improve urban and rural communities' access to livelihoods opportunities and address disparities in access to opportunity and risks of fragility, conflict and violence (FCV); 5) strengthen the voice of vulnerable groups to ensure they are part of decision-making and monitoring of public goods and services using digital and traditional citizen engagement methods; 6) empower women economically by supporting access to income-generating opportunities, addressing the social constraints for women to work, and investing in services for gender-based violence (GBV) survivors; and 7) strengthen the capacity of communities and the government for social risk management.</p> <p>Knowledge Gaps</p> <p>On gender and GBV, HLO3 will seek to address gaps in knowledge and awareness of the key issues and actionable solutions (policy and operational), to address regressive norms, support increased labor force participation by women, improve GBV service delivery, and increase voice and empowerment. This will include addressing capacity gaps to implement such solutions within communities, projects and at policy level. HLO3 will seek to boost citizen engagement to address gaps in accountability and transparency in service access and provision, and to increase community knowledge and participation in development plans and processes. HLO3 will seek to address the knowledge gaps on linkages of the education system with the labor market including development of skills which can help migrant workers access better employment opportunities. The HLO3 will also focus on improving the wellbeing and human capital of the population with disabilities through inclusive education and improved and targeted social protection services. It will continue with knowledge work on improving service delivery at the point of service, including health services and teaching in classrooms.</p>		
<p>CPF Objective 3.1: Improve service delivery for human capital development</p>		
<p>Description: The CPF will support the Kyrgyz Republic to strengthen delivery of: 1) education; 2) health; and 3) social protection systems, employability and jobs.</p> <p>Links to previous CPF: This objective represents continuity with the previous CPF.</p>		
<p>Rationale</p> <p>Human capital investments, including education, health, skills development, and employability have been vital in transitions that generated high and sustained economic growth. The Kyrgyz Republic has a value of 0.60 (out of a maximum of 1) in the World Bank Human Capital Index.⁴¹ Accounting for access to and quality</p>		

⁴¹ For details on the World Bank's Human Capital Index, see <https://www.worldbank.org/en/publication/human-capital>.

of tertiary education and health risks during adult life, human capital drops to only 0.40, i.e., a child born in the Kyrgyz Republic would be only around 40 percent as productive as an adult as s/he could have been if s/he enjoyed complete education (including tertiary) and full health.⁴² COVID-19 aggravated structural gaps in human capital accumulation, resulting in learning losses and worsening health outcomes. To reverse the effects of the pandemic and to support sustained economic growth, the country will need to invest in high-quality education, effective health care, and strong social protection.

The demand for enhanced skills exists in the export areas of agriculture, textiles, tourism, extractives, and services. Better and specialized skilled population is also needed to support digitalization of the economy in response to the government's plan to shift towards innovations and growth in core productivity sectors. This requires a significant change in the current education and skills training system of the country.

The Kyrgyz Republic has adopted successive reforms to transform its health system. However, the reform agenda remains largely unfinished and universal entitlement to state guaranteed benefits does not translate into universal access to quality service. Out-of-pocket payments remain high, representing 46 percent of the current health spending.⁴³ Gaps in health worker knowledge, outdated infrastructure, equipment, and protocols, inadequate information systems, and lack of quality improvement systems, have resulted in poor quality care. The spread of COVID-19 has put additional pressure on the health system.

The COVID-19 crisis also had adverse effects on labor incomes, severely affecting the poorest and vulnerable households. The crisis highlighted the urgent need to reform and modernize the social protection system to better respond to shocks, and to better support graduation of the most vulnerable from social assistance.

Lessons Learned and New Knowledge at the Program Level

Among the key findings from the recent public expenditure review was the need to enhance the quality of public services in social sectors (health, education, and pensions) to support human capital development. A key priority for the country is the preparation of its young demographic to meet the needs of the economy in the context of economic transitions through modernizing the national curriculum and academic programs. Advancements in education-to-work pathways can provide significant opportunities to enhance productivity and effectiveness. For example, the changing landscape of technological innovation globally translates to a necessary change in education and skills development operations to meet the requisite demand.

The *Listening to the Kyrgyz Republic* survey finds that high expectations among citizens about health, education, and social protection are often paired with low levels of satisfaction with access and quality of social services. An area which has received relatively little attention from the WB in the Kyrgyz Republic is disability. The education sector project supports teacher training to enable inclusive education, however, it is important to have a detailed review and analysis of disability and inclusion in the human development sector to better address the needs of individuals through investment projects.

Despite governance challenges which have slowed sector reform and delayed implementation of projects, the Bank's ability to deliver flexible support allowed for a strong response during the pandemic and in some cases (e.g., social protection) enabled significant progress on important reforms. However, it is important to assess and use the appropriate financing instruments in different sectors since Program for Results has been complicated to implement in the health sector.

WBG Ongoing and Planned Support

Under the current CPF program, the WBG is helping to increase equitable access to quality education, improve capacity and increase effectiveness of the education system, structures, and workforce. School construction, in particular of pre-primary classrooms, has been supported through CDD projects including VIP and RED. The ongoing project support in education includes support to pre-schools and early childhood education, teacher training and development at basic education level

⁴² World Bank. 2020. "COVID-19 and Human Capital" Europe and Central Asia Economic Update (Fall), Washington, DC: World Bank. Doi: 10.1596/978-1-4648-1643-7. License: Creative Commons Attribution CC BY 3.0 IGO.

⁴³ <https://data.worldbank.org/indicator/SH.XPD.OOPC.CH.ZS?locations=KG>.

and support to online education. New engagement is being prepared to help the government operationalize its strategies to improve human capital and labor market outcomes through enhancements in program content, the delivery system, and research and innovation capacity of the higher education system. In the health sector, the first PforR is improving the quality of primary health care systems, including: 1) service delivery; 2) strategic purchasing; and 3) stewardship and governance. Engagement in social assistance and labor market programs will support the Kyrgyz Republic in mitigating the impact of the economic crisis on poor households and labor migrants and strengthen effectiveness and resilience of the social assistance and labor market programs.

Key Risks and Mitigation

Weak institutional capacity is the main risk to the achievement of this objective requiring close engagement with the counterpart, as well as solid and timely policy advice, technical assistance, and implementation support.

CPF Objective Indicators	Supplementary Progress Indicators (SPIs)	WBG Program
<p>Indicator 3.1.1: Number of children aged 3-7 years enrolled in pre-schools [of which girls] G</p> <p>Baseline [2023]: 297,865 of which girls 145,953 Target [2028]: 550,000 of which girls 218,949 Source: Ministry of Education and Science’s quarterly reports</p> <p>Indicator 3.1.2. Percentage of higher education institutions nationally accredited or re-accredited through revised quality assurance system</p> <p>Baseline [2023]: 0 Target [2028]: 50%</p> <p>Indicator 3.1.3. Number of pregnant women who have undertaken recommended prenatal tests (bacteriuria and anemia) G</p> <p>Baseline [2018]: 24,000 Target [2025]: 48,000 Source: Ministry of Health</p> <p>Indicator 3.1.4: Households from UBK which have been selected and enrolled in the social</p>	<p>SPI 3.1.1: Enhanced teacher quality/performance measured by classroom practice observation (average mean score of teachers for instructional support)</p> <p>Baseline [2018]: 2.8⁴⁵ Target [2026]: 3.1 Source: Ministry of Education and Science</p>	<p>Ongoing Financing:</p> <ul style="list-style-type: none"> • Learning for the Future (FY20; P170542; US\$50m) • Primary Health Care Quality Improvement Program (FY19; P167598; US\$20m) • (RE) Primary Health Care Quality Improvement Program – Additional Financing (FY23; P178856; US\$11.45m) • Kyrgyz Republic Emergency COVID-19 (FY20; P173766; US\$12.15m) and AF (FY21, P176054; US\$20m) • Strengthening Social Assistance and Labor Market Programs Project (FY23, P179024, US\$30m) • Kyrgyz Republic: Enhancing Resilience in Kyrgyzstan Project (FY18; P162635; US\$20m USD) and AF (FY20; US\$55m), and AF2 (FY23; P180365; US\$30m) • Third Village Investment Project AF (COVID-19) (FY21; P146970; US\$17m) <p>Completed Financing:</p> <ul style="list-style-type: none"> • Third Village Investment Project (FY15; P146970; US\$12m) <p>Financing Pipeline:</p> <ul style="list-style-type: none"> • Higher Education Quality and Innovation (FY24; P178592; US\$25m) <p>Ongoing ASA:</p> <ul style="list-style-type: none"> • Human Capital Review – Transforming the education-to-work pathways for improved employability and economic growth (FY24; P178138) • CA Regional: Higher Education Excellence Across the Silk Road (FY24; P179081)

⁴⁵ Quality of teaching performance measured using the Classroom Observation Tool covering instructional effectiveness. Teachers' scores will be compared over time to assess improvements in teaching practices as a result of the interventions.

<p>contract program⁴⁴ (number of households) Baseline [2022]: 0 Target [2027]: 1,500 Source: Ministry of Labor, Social Development, and Migration</p>		<p>Completed ASA:</p> <ul style="list-style-type: none"> • Kyrgyz Republic: Policy and Human Resources Development : Quality and Financing for UHC resilience (FY23; P175135) <p>ASA Pipeline:</p> <ul style="list-style-type: none"> • Disability inclusion PASA (FY24-25) • Support the disability inclusive employment (FY24) <p>Ongoing RETF:</p> <ul style="list-style-type: none"> • Enhancing the Foundation of Learning funded by Global Partnership for Education Multiplier Education Sector Plan Implementation Grant (FY21; P173601)
--	--	---

CPF Objective 3.2: Enhance economic empowerment and voice of vulnerable groups

Description: The CPF will support livelihoods opportunities for vulnerable groups – notably women and rural communities, including youth – through improved employability, and access to resources and economic opportunities; it will also support strengthened participation and voice of vulnerable groups, including through enhanced citizen engagement.

Links to previous CPF: While community-development of this objective were covered in the previous CPF under the ‘*Regional Development*’ objective and gender issues were addressed more as a cross-cutting issue, they are being introduced as an explicit objective in this CPF.

Rationale

Across rural communities, lack of access to basic infrastructure and public services – including roads, water, energy, social services, and agricultural support services – is a major barrier to accessing economic opportunities and improving welfare and raising human capital. This increases the importance of proactive interventions to tackle exclusion, including through engagement and empowerment of rural communities, and leveraging community-level mechanisms to deliver livelihoods opportunities. Women, in particular, face large barriers to economic, social, and political participation. Gender norms tend to be regressive, which further hinder women’s economic opportunities and contributes to widespread gender-based violence (GBV), including domestic violence, bride kidnapping, and trafficking.

Lessons Learned and New Knowledge at the Program Level

The Kyrgyz Republic enjoys a more progressive legal framework than most neighboring countries. If implemented properly, substantial gender gaps in labor force participation and employment rates and the high degree of labor market segregation could be reduced. Additionally, GBV is prevalent and services for survivors are very limited. These challenges can be met by developing a range of policies aimed at: improving women’s well-being with the aim of facilitating their access to paid employment, including the rapid elimination of barriers to private sector job creation, and investing in human capital. There is also a need to comprehensively address barriers to women’s economic empowerment using holistic, behavioral approaches that have proven most effective in changing mindsets of men and women in communities and, in turn, preventing GBV and discrimination against women’s leadership and paid work

Bank experience shows the importance of having dedicated resources and instruments (IPFs, ASAs, coordination and policy dialogue) that address key gender inequalities and GBV. Given gender equality is regressing in Kyrgyz Republic, there is a need for greater policy and operational attention to the issue, the provision of operational support (training for team task leaders and PIUs, input on project design and project operational manuals) and the facilitation of knowledge exchange

⁴⁴ The program involves the provision of an “integrated package, including business plan, start-up grant, agro- and vocational training, social and health services, nutrition training, access to kindergartens, coaching and financial literacy. SCSP might include specialists' advice on the feasibility of a business idea and linkages to the market.” WFP. 2021. Social Contract - A Concept Note.

at the policy and operational levels. Given high GBV prevalence, there is an urgent need for the World Bank to play a leadership role in taking stock of government’s, non-governmental organizations’ and donors’ work on this issue and identifying the major gaps that should be filled via policy dialogue, IPFs, and ASAs.

The legislative environment encourages citizens and civil society organizations to participate in village planning and public hearings, and this is implemented actively in the planning and budgeting calendar of the local self-governments (aiyl okmotus). However, mechanisms for inviting public input into policymaking are largely ineffective. Social capital is distributed unevenly, with a growing share of the population feeling alienated from the social contract. Therefore, making government agencies and service providers transparent and more accountable to citizens/service users is an important aspect in addressing bottlenecks in service delivery. To this end, the World Bank has introduced a *Listening to the Kyrgyz Republic* survey with data collected monthly to help design projects and programs, to maximize their impact, and to help check whether what we are doing resonates with citizens. The ambition of the survey goes beyond the specific projects the World Bank is undertaking to provide a public good that informs the government and their partners about changing social and economic conditions, and in the future, provide an evidence-based platform to engage citizens in the policies that affect them.

A key lesson learned from the implementation of the community driven development (CDD) programming is that while the CDD approach has been institutionalized in the aiyl okmotu (local self-government) system, aiyl okmotus’ fiscal resources are constrained, and responsibilities for operations and maintenance are unclear and fragmented across levels of government and ministries. There needs to be greater policy attention to improving coordination of operations and maintenance across different levels of government and between ministries.

WBG Ongoing and Planned Support

The CPF will shift from “gender mainstreaming” to investing in stand-alone activities on gender and GBV and a standalone women’s economic empowerment ASA and project to address critical gaps in women’s income-generating opportunities, voice, and agency and GBV. Ongoing Emergency Support for MSMEs will address the gender gap in access to finance through targeted outreach. Women will be supported by providing access to livelihoods training (i.e., training on financial literacy, business proposal development, planning, problem-solving, communication), income generating opportunities, coaching/mentoring, and investing in services for GBV survivors.

Ongoing Village Investment and CASA1000 Community Support projects have demonstrated how CDD approaches can improve rural communities’ access to basic infrastructure and services. Engagement under the CPF will build on and expand the successful citizen engagement process, including by extending the digital citizen engagement platform from the VIP-3/CSP projects to other projects in the program. The WBG will continue supporting and building government capacity to develop and implement CDD investments to ensure they are responsive to differentiated local needs and opportunities, promote livelihood opportunities, and engage vulnerable groups. In addition to identified pipeline operations, the CPF envisions continued support on women’s economic empowerment, as well as livelihoods through agriculture sector development, in the outer years of the CPF.

Key Risks and Mitigation

The policy dialogue remains limited on strengthening local governance and improving the quality of local service delivery, as well as on gender norms, GBV and women’s economic empowerment. Highly centralized political and administrative systems contribute to exclusion and fragility risks and citizens have little scope to influence decisions. Implementation could be constrained by ongoing political/government uncertainties, the high turnover of ministerial and technical staff, resource constraints and weak institutional capacity in government to deliver core services and address key issues.

CPF Objective Indicators	Supplementary Progress Indicators (SPIs)	WBG Program
<i>Indicator 3.2.1. Increase in female-led firms having a bank loan or line of credit</i> G	<i>SPI 3.2.1. Percentage of the female-led SMEs who received financial support to</i>	Ongoing Financing: <ul style="list-style-type: none"> • Third Village Investment Project AF (COVID-19) (FY21; P146970;

<p>Baseline [2019]: 18.2% female-led Target [2027]: 25% female-led Source: WB enterprise survey (baseline), Emergency Support for MSMEs Project⁴⁶</p> <p>Indicator 3.2.2: Improvement in women’s voice (as measured by percentage of WBG-financed subproject investments which were prioritized in women’s groups) G Baseline [2020]: 0 Target [2025]: 50% Source: VIP-3 and CASA-1000 CSP AF</p> <p>Indicator 3.2.3: Number of beneficiaries of the Youth Employment Program with a job after completing the in-class training (Active Labor Market Program) (Number) Baseline [2020]: 0 Target [2025]: 2,000 Source: Strengthening Social Assistance and Labor Market Programs Project</p>	<p>start a business in Osh and Batken oblasts⁴⁷ G Baseline [2022]: 0 Target [2026]: 40% Source: RED-1 and RED-2</p> <p>SPI 3.2.2. Percentage of sampled beneficiaries (male/female) who report that their engagement in decision making on project investments was effective⁴⁸ G Baseline [2020]: 0 Target [2025]: 75% women and 75% men Source: VIP-3 AF and CASA-1000 CSP AF</p> <p>SPI 3.2.3: Improvement in women’s income-generating opportunities in all oblasts (as measured by number of women able to earn additional income because of project investments)⁴⁹ G Baseline [2020]: 0 Target [2025]: 2,000 Source: VIP-3 AF and CASA-1000 CSP AF</p> <p>SPI 3.2.4: Number of beneficiaries who have successfully completed a business plan (approved) and awarded a grant for economic inclusion G Baseline [2020]: 0 Target [2026]: 2,750 (female 1,250) Source: Strengthening Social Assistance and Labor Market Programs Project</p>	<p>US\$17m)</p> <ul style="list-style-type: none"> • CASA1000 CSP - Kyrgyz Republic (FY17; P163592; US\$10m) and AF (FY21; P174285; US\$21m) • Emergency Support for MSMEs Project (FY20; P174028; US\$50m IDA and US\$50m AIIB) and AF (FY22; P177962; US\$50m) <p>Completed Financing:</p> <ul style="list-style-type: none"> • Third Village Investment Project (FY15; P146970; US\$12m) <p>Financing Pipeline:</p> <ul style="list-style-type: none"> • National Community Initiatives Project (FY25; P180909; US\$25m) • Kyrgyz Republic: Resilient Agri-food Clusters Development Project (FY24; P178120; US\$25m plus US\$5m co-financing from GAFSP) <p>ASA Pipeline:</p> <ul style="list-style-type: none"> • Supporting women’s labor market participation and access to income-generating activities (P178326; FY24) • Gender and Gender Based Violence Program in Central Asia (FY24-28) <p>Completed RETF:</p> <ul style="list-style-type: none"> • Kyrgyz Republic: Livelihoods for Youth Community Support Project (FY18; P165286; US\$2.73m from Japan Social Development Fund (JSDF)) • Kyrgyz Republic: Community Engagement and Social Accountability Project (FY18; P166327; US\$1m from CASA1000 MDTF)
--	---	--

⁴⁶ The baseline is from the WB Enterprise Survey of 2019. Although almost all firms (97 percent) have an account at a financial institution, only 18.2 percent of female-headed SMEs have a bank loan or line of credit, compared to 29.6 percent for male-headed SMEs (WB Enterprise Survey 2019). While the WB lending operation (Emergency Support for MSMEs Project) has a target of 40 percent within the project universe, for the purposes of the CPF a lower target of 25 percent is selected for the overall market.

⁴⁷ Community Development and Investment Agency (or designated consultant) will compile data from event reports. Target: 50 RED-1 and 50 RED-2.

⁴⁸ This indicator will be measured using scorecards/social audits under VIP-3 AF and CSP projects. Project facilitator reports on training attendance are captured in the projects’ MIS.

⁴⁹ All oblasts – Chui, Issy-Kul, Naryn, Talas, Batken, Osh and Jalal-Abad – are covered. Data is collected by project facilitators and reported in the projects’ MIS.

Annex 2: Completion and Learning Report

**Document of
The World Bank**

FOR OFFICIAL USE ONLY

**INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL FINANCE CORPORATION
MULTILATERAL INVESTMENT GUARANTEE AGENCY**

**COMPLETION AND LEARNING REVIEW
OF THE COUNTRY PARTNERSHIP FRAMEWORK**

**FOR
THE KYRGYZ REPUBLIC
FOR THE PERIOD FY19-FY23**

July 21, 2023

**Central Asia Country Management Unit
Europe and Central Asia**

**The International Finance Corporation
Middle East, Central Asia, Turkey, Afghanistan, and Pakistan**

The Multilateral Investment Guarantee Agency

This document is being made publicly available prior to Board consideration. It may be updated following Board consideration and the updated document will be made publicly available in accordance with the Bank's policy on Access to Information.

The date of the last Performance and Learning Review for the Country Partnership Framework with the Kyrgyz Republic for the period FY19-23 was June 6, 2022.

FISCAL YEAR

January 1 to December 31

CURRENCY EQUIVALENTS

Currency Unit = Kyrgystani Som (KGS)

US\$ 1 = KGS 87.87

Exchange rate effective as of July 21, 2023

ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank
AF	Additional Financing
AiIB	Asian Infrastructure Investment Bank
APNIP	Agriculture Productivity and Nutrition Improvement Project
ASA	Advisory Services and Analytics
BETF	Bank-Executed Trust Funds
CAR	Central Asia Regional Link
CASA-1000	Central Asia-South Asia Regional Electricity Transmission and Trade Project
CCDR	Climate Change and Development Report
CDD	Community Driven Development
CE	Citizen Engagement
CERC	Contingent Emergency Response Component
CDF	Disruptive Technologies and Funds
CLR	Completion and Learning Review
CMAW	Creating Markets Advisory Window
CPF	Country Partnership Framework
CPS	Country Partnership Strategy
CPSD	Country Private Sector Diagnostics
CSO	Civil Society Organizations
CSP	Community Support Project
DHS	Demographic and Health Surveys
DMF	Debt Management Facility
DPO	Development Policy Operation
EBRD	European Bank for Reconstruction and Development
ECA	Europe and Central Asia
ECE	Early Childhood Education
EIB	European Investment Bank
ESMAP	Energy Sector Management Assistance Program
EU	European Union
FA	Focus Area
FAP	First Aid Posts

FCI	Finance, Competitiveness & Innovation
FDI	Foreign Direct Investment
FIG	Financial Institutions Group
FRS	Fiscal Risk Statements
FY	Fiscal Year
GDP	Gross Domestic Product
GAFSP	Global Agriculture and Food Security Program
GFDRR	Global Facility for Disaster Reduction and Recovery
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GPE	Global Partnership for Education
GWh	Gigawatt hours
ICT	Information and Communication Technologies
IDA	International Development Association
IEG	Independent Evaluation Group
IFC	International Finance Corporation
IFI	International Financial Institution
IMF	International Monetary Fund
INR	Infrastructure & Natural Resources
IPF	Investment Project Financing
IsDB	Islamic Development Bank
IVA	Independent Verification Agent
JSDF	Japan Social Development Fund
KAREP	Kyrgyz Audit and Financial Reporting Enhancement Project
KGS	Kyrgyzstani Som
KICB	Kyrgyz Investment and Credit Bank
L4Y	Livelihoods for Youth
MFD	Maximizing Finance for Development
MIGA	Multilateral Investment Guarantee Agency
MOF	Ministry of Finance
MOH	Ministry of Health
MS	Moderately Satisfactory
MSME	Micro, Small & Medium Enterprise
NBKR	National Bank of the Kyrgyz Republic
NDC	Nationally Determined Contributions
NPL	Non-Performing Loans
NSBA	National Sample based Assessment
OGP	Open Government Partnership
P4R	Program-for-Results Financing
PDO	Project Development Objective
PHC	Primary Health Care
PHCQIP	Primary Health Care Quality Improvement Program
PIU	Project Implementation Unit
PLR	Performance and Learning Review

PPA	Performance and Policy Action
PPE	Personal Protective Equipment
PPP	Public Private Partnership
PSW	Private Sector Window
PRSF	Portfolio Risk Sharing Facility
RETF	Recipient-Executed Trust Funds
RFA	Reimbursable Financial Assistance
RGA	Rapid Gender Assessment
SDFP	Sustainable Development Finance Policy
SNIP	Construction Norms and Rules
SOE	State Owned Enterprise
SP	Social Protection
SRWSSP	Sustainable Rural Water Supply and Sanitation Project
STEM	Science, Technology, Engineering, and Math
TA	Technical Assistance
TF	Trust Fund
TFSCB	Trust Fund for Statistical Capacity Building
UHC	Universal Health Care
UK	United Kingdom
UN	United Nations
US	United States
USAID	United States Agency for International Development
VIP	Village Investment Project
VIP3	Third Village Investment Project
WBG	World Bank Group
WHO	World Health Organization
WUA	Water Users Association

	IDA	IFC	MIGA
Vice President:	Antonella Bassani	Hela Cheikh Rouhou Ep Abid	Ethiopis Tafara
Director:	Tatiana Proskuryakova	Wiebke Schloemer	Hiroyuki Hatashima (Acting Director)
Task Team Leader:	Naveed Hassan Naqvi	Manizha Mamadnabieva Kazumasa Oba	Gabisile Ndlovu

**THE KYRGYZ REPUBLIC
COUNTRY PARTNERSHIP FRAMEWORK FY19-23
COMPLETION AND LEARNING REVIEW**

TABLE OF CONTENTS

I.	INTRODUCTION	56
II.	PROGRESS TOWARDS CPF DEVELOPMENT OUTCOMES.....	59
III.	WORLD BANK GROUP PERFORMANCE.....	70
IV.	ALIGNMENT WITH CORPORATE GOALS.....	78
V.	LESSONS LEARNED, FINDINGS AND RECOMMENDATIONS	81
	Annexes.....	83
	Annex A: Summary of Status of the Kyrgyz Republic FY19-23 CPF Results Matrix	83
	Annex B: The Kyrgyz Republic FY 19-23 CPF Results Matrix Evaluation	84
	Annex C: IDA Lending Program Planned (FY19-FY22) vs Actual (FY19-FY23)	104
	Annex D: IFC Committed and Outstanding portfolio FY19-23.....	106
	Annex E: Progress on Citizen Engagement and Gender Priorities.....	107

List of Figures

Figure 1: World-Bank financed projects during the CPF FY19-23.....	80
---	-----------

List of Tables

Table 1. Selected Macro-Economic and Poverty Indicators and Outlook.....	60
Table 2. Summary of CPF Development Outcomes and Outcome Indicator Rating.....	61
Table 3. Indicators of Portfolio Performance.....	75

I. INTRODUCTION

- 1. This Completion and Learning Review (CLR) assesses the implementation and achievements of the FY19-22 World Bank Group (WBG) Country Partnership Framework (CPF) for the Kyrgyz Republic.** The CPF was discussed by the Board of Executive Directors on November 13, 2018 (Report № 130399-KG) and updated through the Performance and Learning Review (PLR) on June 6, 2022 (Report № 171366-KG), which extended the CPF period by one year to include FY23. This review (a) assesses the extent to which the CPF was successful in achieving the stated objectives, (b) evaluates the CPF design and program implementation, and (c) describes lessons learned that inform the design of the new FY24-28 WBG CPF for the Kyrgyz Republic. This review also discusses how well the CPF was aligned with the WBG's twin goals of ending extreme poverty and promoting shared prosperity in a sustainable manner.
- 2. The Overall CPF outcome is rated as *Moderately Unsatisfactory*.** This rating is based on an assessment of the program's achievements in the areas of the WBG's engagement and self-evaluation of the CPF Results Matrix, revised through the PLR. The CPF was well-aligned with country goals as expressed in the National Development Strategy (2018-2040), and the Medium-Term Plan (2018-2022) which articulated policy reforms to support planned investments in the priority areas of governance (economic management and service delivery), digitalization, and spatially balanced growth.
- 3. The Overall WBG Performance in designing and implementing the CPF is rated as *Good*.** The program design was well aligned with the country's development goals and supported by a mix of interventions and instruments. Program implementation was flexible in the context of fragile political and social conditions while maintaining a focus on the central objectives. The CPF program was also able to respond effectively to the demand for assistance and recovery from the COVID-19 pandemic. Total IDA delivery during the CPF timeframe reached US\$818.9 million (twofold increase compared to the previous CPS FY14-17 (US\$328.5 million).
- 4. The CPF rested upon three focus areas:** (i) strengthen foundations for inclusive private sector-led growth; (ii) raise productivity and build connectivity; and (iii) enhance economic opportunities and resilience. The first encompassed macroeconomic management, conditions for private investment and financial deepening and inclusion; the second covered natural resources, energy, and connectivity through digitalization and roads; and the third encompassed human capital, regional development and climate change and disaster risks.
- 5. Under the first focus area- to strengthen foundations for inclusive private sector led growth- overall performance was judged to be *Moderately Unsatisfactory*.** While the indicators were partially or mostly achieved, wider evidence suggested that the progress towards objectives was uneven. A series of development policy operations (DPOs) were envisaged to support critical reforms in fiscal adjustment, governance, energy, and the business environment as well as to serve as the central tool for raising climate co-benefits. The PLR noted that DPOs would be delivered only in the event of past commitments on reforms being adhered to. When key

prior actions, on implementing a fiscal rule supported in DPO (FY18) and developing and maintaining a good Public Procurement Law supported in DPO (FY15), were reversed, the Bank decided to no longer use the DPOs to pursue policy reform. However, the country did satisfactorily implement FY21-FY23 agreed Performance and Policy Actions (PPAs) on improving fiscal management and debt transparency under the Sustainable Development Financing Policy (SDFP) initiative.⁵⁰ Key projects in tax and statistical systems' modernization, and public financial management were delivered. Importantly, in FY21-22 of the CPF the program was adjusted to deliver substantial emergency support for MSMEs to help with recovery from the COVID-19 related economic shock, with impressive initial results.⁵¹ Overall business environment showed mixed results, with overall private credit to the economy improving⁵², while governance indicators⁵³ on government effectiveness, rule of law, and control of corruption either stagnated or got worse.

6. **Under the second focus area- to raise productivity and build connectivity- overall performance was judged to be *Moderately Satisfactory*.** Objectives were judged to be *mostly or partially achieved*. Engagement in energy and water was both deepened and expanded through new projects; a stalled regional digitalization project was successfully brought back on track [restructured] with renewed commitment from Government and picked up pace towards the end of the CPF period; and implementation progress in the transport sector picked up pace in the last two years of the CPF period to contribute to improved regional connectivity.
7. **Under the third focus area- to enhance economic opportunities and resilience - overall performance was judged to be *Moderately Unsatisfactory*.** Progress towards Objectives showed mixed results: with results on human capital rated as *partially achieved*; results on regional development rated as *partially achieved*; and results on resilience to climate change and disaster risks rated as *achieved*. Engagement in regional development expanded and deepened substantially in the last two years of the CPF with focus on the two poorest regions of Osh and Batken where new projects were delivered in FY20 and FY22 of the CPF period; and Bank-assisted COVID response in the health sector widely acclaimed as timely and quick by the government; and the first ever social protection project was delivered in FY23 and aimed at developing better targeting of social assistance to the poor.
8. **The CPF was characterized by strong engagement in knowledge and advisory services that was tailored to provide agile and targeted services to the client, principally the authorities but also parliamentarians, the private sector and academia, through responsive and timely products.** On structural reforms, an ambitious set of products covering macro-fiscal policies and productivity, public expenditure reviews, and private sector diagnostics were delivered. Also notable were a set of studies supporting energy sector reforms and associated social

⁵⁰ All IDA-eligible countries that are at moderate or high risk of debt distress or in debt distress, including the Kyrgyz Republic, are subject to SDFP initiative effective July 1, 2020, and should prepare and implement the PPAs on an annual basis.

⁵¹ In total, 10,700 MSMEs were targeted for survival with Reimbursable Financial Assistance (RFA) and the Portfolio Risk Sharing Facility (PRSF) by the end of 2023. 9,547 MSMEs survived the COVID-19 crisis, as of June 2023. Emergency Support to MSMEs Project (P174028)

⁵² According to NKBR Private Credit/GDP went from 20.4% in 2017 to 25.1% in 2021.

⁵³ World Governance Indicators, World Bank.

protection, a series of studies on education and health policies, and development of contingent financing approaches in the event of natural disasters. A WBG product, the Country Private Sector Diagnostic (CPSD), provided guidance on areas for private sector growth. While dissemination was interrupted in the initial years of the pandemic, in FY22-23 the WBG was able to hold four high-level forums on energy, human development, economic reform, and water alongside extensive engagement with the government and the parliament to support internalization of key policy recommendations. The knowledge work provided critical support to the design of interventions and in projects. IFC Advisory provided upstream advice centering on financial sector development, including financial inclusion, business climate, structuring PPPs particularly in aviation, health, digitalization, and energy.

9. IFC and MIGA opportunities remain constrained by the small market, the dominance of the public sector, especially in infrastructure development and lack of transparency in aspects of the regulatory environment. IFC remained selective and engaged only in projects where significant additionality could be found such as in PPPs and investments in infrastructure if the business environment was conducive. MIGA continued to explore opportunities to provide political risk insurance to promote cross-border investments, particularly in the agriculture sector, and in June 2023 MIGA issued a guarantee to Agricultural Corporation In Water Solution, Inc. (IWS Korea) of the Republic of Korea for their investment in IWS Smart Farm, against the risk of Transfer Restriction and Currency Inconvertibility.

10. The performance of the WBG in designing and supporting the implementation of the CPF program is rated as Good. The design and implementation of the WBG program contributed successfully to the pursuit of key CPF objectives in enhancing financial deepening and inclusion, health, regional and village/community development, and disaster risk response. The Bank responded adroitly and speedily to the pandemic shock, leading both the policy and financing dimensions of the international response, with a well-designed package supporting health, businesses, and communities, thereby earning high appreciation from the government. The PLR was used to re-affirm the overall CPF strategy and its commitment to three focus areas and key objectives, although with a more realistic level of ambition. The proposed adjustments were made in immediate response to crises and aimed at assisting in the recovery from the pandemic. The extension of the CPF period by one year was required to compensate for slow implementation progress since 2020. The additional year helped to deepen engagement with government strategically, particularly, in the energy sector. The Bank pursued, with determination, the dialogue on reversing the serious backsliding relating to public procurement jointly with key development partners, making clear the centrality of this issue in fighting corruption. With a one-year extension in the CPF period, and increasing political stability, the Bank was able to expand engagement in high priority areas - delivering new projects in water, energy, and social protection - and agree on the restructuring of a non-performing but important digitalization project. The IDA portfolio expanded over the CPF period from US\$348.5 million in 2018 to US\$1,044.5 million in June 2023. At [April 2023] the IFC investment commitments for FY19-FY23 stood at [US\$28.5] million across [six] new projects, which included projects concentrated in financial markets and ICT. The advisory interventions covered sustainable agribusiness and support value chains, and infrastructure

development through investments and PPPs, particularly in energy, transport, ICT, as well as in health and education.

II. PROGRESS TOWARDS CPF DEVELOPMENT OUTCOMES

Background

- 11. The Kyrgyz Republic has maintained its democratic polity since independence in 1991, but this has been accompanied by bouts of political instability,** which led to the removal of three presidents from office through popular uprising and constitutional changes oscillating between presidential and parliamentary systems. The CPF period began under a parliamentary system and ended with power increasingly concentrated in the Presidency. Approved in a referendum in 2010, the parliamentary model bolstered checks and balances, but failed to build resilient institutions and drive reforms. Parliamentary elections in 2020 were marked by allegations of massive fraud and led to a popular uprising, the overthrowing of the president and fresh elections. The election of a new president in early 2021 was followed by constitutional amendments to restore a presidential form of government with increased centralization of power, presidential control over the judiciary, and substantial reduction in the role and powers of parliamentary bodies. The constitutional referendum necessitated new parliamentary elections, which took place in November 2021 and were well organized by both local and regional standards.

- 12. The political turmoil in 2020, followed by changes in the government structure and the constitution in 2021, combined with the pandemic increased uncertainty in policies and implementation.** There was a loss of focus and coherence in governmental functioning with a clear impact on the dialogue and CPF implementation at a time when the population was reeling from economic and health shocks. Decision-making remains slow, as laws and rules are reconfigured in line with the new constitution. The ensuing political gridlock has led to slow decision-making for fear of prosecution and uncertain accountability structures within executive bodies. The high-profile dispute between the government and a foreign private company over the Kumtor gold mine, resolved through an out of court settlement, was signed by both parties on April 4, 2022, and could strengthen investment climate and facilitate gold exports.⁵⁴

- 13. The Kyrgyz Republic had recorded progress in poverty reduction and shared prosperity until 2020 driven largely by increasing reliance on remittances and gold exports.** In the absence of

⁵⁴ IMF's 2022 Article IV Staff report noted that the resolution of the dispute around the Kumtor gold mine between the authorities and a foreign investor could strengthen the investment climate and facilitate gold exports. In an out-of-court settlement in April 2022 the Kyrgyz Republic received full ownership of Kumtor Gold Company in exchange for its share in the investor company. The London Bullion Market Association (LBMA) restored Kyrgyz Republic's Good Delivery status in September 2022 which allows selling of Kyrgyz gold bullion in international markets. Kumtor is the main local gold mining company, which has now become fully-government owned. As part of the agreement, the government relinquished its equity holding in the parent company and substantial associated dividends in exchange for full ownership of Kumtor. This financial transaction and the fact that Kumtor remains the country's major export source (about 40 percent of the total) and a major taxpayer (about 25 percent of total tax revenue) means that the government is exposed to significant losses should the mine not continue to produce and export gold efficiently during its lifetime, estimated until 2031. The corporate governance of the mining company, the transparency of its operations, and the technical ability to operate the mine under exacting conditions are important factors that can mitigate the risks of nationalization.

structural reforms and with continued barriers to private sector investments, there was little evidence of the emergence of new growth drivers. Fiscal vulnerabilities arising from a large and inefficient public sector, poorly managed and financially weak SOEs⁵⁵, high and untargeted budget subsidies to loss making utility sectors, squeezed public finances. The second half of the CPF period (2020-2023) saw three major shocks: the pandemic, domestic political turbulence, and the spillovers of Russia's invasion of Ukraine. The pandemic harshly affected economic activity, leading to a 7.1 percent economic contraction and an increase in poverty by more than five percentage points in 2020 as compared to 2019 together with a significant erosion of human capital. The response to the pandemic's impact on lives and livelihoods required a substantial fiscal expansion that led to a sharp increase in the public debt level. Russia's invasion of Ukraine with consequent effects on trade and transit, global commodity prices and global economic activity threatened to dampen prospects for economic growth and poverty reduction over the medium term. After the dramatic pandemic-driven contraction in 2020, the economy started modest recovery with 3.6 percent GDP growth in 2021; this recovery continued in 2022 with GDP growth reaching 6.3 percent, accompanied by trade and fiscal consolidation.

Table 1. Selected Macro-Economic and Poverty Indicators and Outlook

	2019	2020	2021	2022 e	2023 f	2024 f	2025 f
Real GDP growth, at constant market prices	4.6	-7.1	5.5	6.3	3.5	4.0	4.0
Private Consumption	0.8	-8.2	20.8	21.6	8.0	5.4	4.3
Government Consumption	0.5	0.9	0.4	9.6	0.8	0.0	-0.1
Gross Fixed Capital Investment	7.0	-16.0	8.1	4.2	2.2	7.9	13.2
Exports, Goods and Services	16.2	-27.3	16.4	-15.9	12.0	12.5	16.7
Imports, Goods and Services	6.1	-28.0	39.3	24.0	16.1	12.1	14.3
Real GDP growth, at constant factor prices	4.6	-7.1	5.5	6.3	3.5	4.0	4.0
Agriculture	2.5	0.9	-4.5	7.3	2.0	2.5	2.5
Industry	6.6	-6.5	6.5	12.2	8.7	8.0	8.0
Services	3.2	-7.9	6.9	4.0	2.1	3.0	2.8
Inflation (Consumer Price Index, average)	1.1	6.3	11.9	15.2	8.0	6.0	5.8
Current Account Balance (% of GDP)	-12.1	4.8	-8.0	-27.2	-13.7	-11.4	-10.0
Financial and Capital Account (% of GDP)	6.2	-4.8	8.7	6.9	6.7	6.6	6.4
Net Foreign Direct Investment (% of GDP)	3.8	-7.5	6.6	3.8	4.3	4.5	4.5
Revenues and grants (% of GDP)	32.3	30.9	33.6	38.4	35.9	34.3	34.4
Taxes (% of GDP)	24.9	23.3	25.6	30.5	29.9	29.1	30.0
Expenses (% of GDP)	32.8	35.1	33.9	39.8	38.6	37.0	36.4
Fiscal Balance (% of GDP)	-0.5	-4.2	-0.3	-1.4	-2.7	-2.6	-2.0
Debt (% of GDP)	51.6	67.7	60.3	52.0	49.8	49.1	48.1
Primary Balance (% of GDP)	0.5	-2.9	1.3	0.0	-1.4	-1.5	-1.0
International poverty rate (\$2.15/day PPP)^{ab}	0.7	1.3	0.7	0.5	0.5	0.5	0.4
Lower middle-income poverty rate (\$3.65/day PPP)^{ab}	11.7	18.7	12.5	11.4	10.8	10.2	9.5
Upper middle-income poverty rate (\$6.85/day PPP)^{ab}	63.7	67.6	62.2	59.6	58.6	57.7	56.3
GHG emissions growth (mtCO₂e)	-7.8	-2.9	5.1	7.2	7.7	5.7	4.8
Energy related GHG emissions (% of total)	69.5	70.4	72.0	73.3	74.3	74.7	74.7

Sources: World Bank, Macro Economics, Trade and Investment Global Practice, and Poverty Global Practice.

Notes: e = estimate, f = forecast.

(a) Calculations based on ECA POV harmonization, using 2009-KHS and 2016-KHS.

(b) Projection using average elasticity (2009-2016) with pass-through = 0.7 based on GDP per capita in constant LCU.

⁵⁵ The government's lending and on-lending portfolio is highly concentrated in the energy sector SOEs. In 2021 the total outstanding balance of the government's lending portfolio amounted to 22 percent of GDP, of which 87 percent--to the energy sector. or about 91 percent of outstanding loan portfolio of the industrial sector. The outstanding debt of energy sector SOEs reached KGS 139.3 billion (US\$1.6 billion) or 19 percent of 2021 GDP.

The Overall CPF Development Outcome

14. The CPF program performance is rated as *Moderately Unsatisfactory*. The program was constructed around three focus areas containing a total of 9 objectives,⁵⁶ and 21 indicators. While a majority of the program objectives were mostly or partially achieved, there were shortcomings in progress towards better macro-fiscal management and regional development, reversal of procurement reform, and slow progress on digitalization and human capital development. Overall targets for 9 out of 21 indicators were formally achieved, targets for 9 indicators were mostly or partially achieved, and targets for 3 indicators were not achieved.

Table 2. Summary of CPF Development Outcomes and Outcome Indicator Rating

CPF Outcome	Overall Outcome Ratings	Outcome Indicator Ratings			
		Achieved	Mostly Achieved	Partially Achieved	Not Achieved
Focus Area I: Strengthen foundations for inclusive, private sector-led growth					
Objective 1: Strengthen institutions for improved macro management	Partially Achieved	1			
Objective 2: Enhance conditions for private investment and diversification	Partially Achieved	1			
Objective 3: Enhance financial deepening and inclusion	Mostly Achieved	1	1	2	
Focus Area II: Raise productivity and build connectivity					
Objective 4. Enhance growth of natural resource sectors, especially hydropower	Mostly Achieved	1	2		
Objective 5. Promote digitalization and development of e-economy	Partially Achieved	1			
Objective 6. Build transport connectivity	Mostly Achieved	2			
Focus Area III. Enhance economic opportunities and resilience					
Objective 7. Develop human capital	Partially Achieved		1	2	3
Objective 8. Support regional development	Partially Achieved	1		1	
Objective 9. Enhance resilience to climate change and disaster risks	Achieved	1			
Total	Moderately Unsatisfactory	9	4	5	3

Focus Area 1: Strengthen foundations for inclusive, private sector-led growth

15. The CPF sought to strengthen the foundations for inclusive, private sector-led growth by addressing macroeconomic vulnerabilities and enhancing private competitiveness through stimulating investment and diversification, and by fostering financial deepening and inclusion. The adoption of a rule-based approach to fiscal policy and greater budget transparency were

⁵⁶ The discussion in this section relates to the results matrix as revised and presented in the PLR.

critical to this end; the former would help to reduce volatility and pro-cyclicality and the latter was important in building confidence within the private sector in governance. The WBG would continue its long-standing efforts at improving the business environment. The WBG aimed to develop the complementary roles of public and private sectors in infrastructure through PPPs and by using MFD tools. Finally, financial markets would be deepened through institutional improvements to improve the availability and access to credit. Inclusion was to be attained by broadening economic participation of women.

16. The Bank and IFC collaborated in opening the possibilities for PPPs. Collaboration in financial markets could have been more coherent and coordinated, and the key ASA product on private sector diagnostic could have been systematically deployed. The separation of IFC's advisory service and the Bank's Finance, Competitiveness, and Innovation (FCI) practice in 2019/2020 disrupted coordination across the WBG. It is important to develop a coordination mechanism within WBG, especially on TA and advisory work, and operational engagement in the financial sector to ensure efficient collaboration.

17. Objective 1: Strengthen institutions for improved macro management. The World Bank, in close cooperation with the IMF, provided in-depth knowledge services on fiscal management and fiscal rules as well as budget management and transparency to counter risks of rising fiscal imbalances and worsening financial system vulnerabilities. In addition, comprehensive analysis was provided through a country economic memorandum and by a public expenditure review. Technical support was provided through debt management work. Key projects providing critical capacity building support for tax and statistical systems' modernization and public financial management were successfully delivered.

18. Objective 1 outcomes were *partially achieved*. The institution of a fiscal rule was a key prior action in the DPO (2018) as it was seen to be an essential building block of a long-term fiscal framework that would reduce uncertainty and contribute to attracting private sector and foreign investment into the economy. The prior action relating to the fiscal rule was reversed; however, the overall objective was pursued with FY21-FY23 Performance and Policy Actions (PPAs) on improving fiscal management and debt transparency under the Sustainable Development Finance Policy (SDFP) initiative.⁵⁷ New indicators introduced at the PLR stage, related to the PPAs, met their targets: Fiscal Risk Statements (FRS) have been prepared and

⁵⁷ **FY21 PPAs** included (i) improve debt transparency by publishing the detailed list of borrowings of the seven largest SOEs and disclosing IFRS-based annual audited financial statements and accompanying notes; (ii) strengthen fiscal sustainability by completing fiscal risk assessment; (iii) improve public debt management by publishing the annual borrowing plan for 2021. **FY22 PPAs** included (i) improve debt transparency by preparing and publishing a detailed list of all borrowings of all energy sector SOEs; (ii) strengthen fiscal sustainability by preparing and publishing the information on fiscal risks related to the republican budget; (iii) improve public debt management by publishing annual and quarterly calendars of auction plans for domestic borrowings. **FY23 PPAs** included (i) improve debt transparency by preparing and publishing annual public debt reports; (ii) ensure fiscal sustainability by preparing and publishing on an annual basis the Information on Fiscal Risks; and (iii) improve public debt management by restructuring the energy sector SOEs debt and providing any new sub-financing to energy sector SOEs on terms at least equal to the terms of financing received from various financiers.

disclosed;⁵⁸ SOE audited statements have been disclosed;⁵⁹ and debt management practices have improved.⁶⁰ In addition, key capacity building initiatives in tax administration and statistical systems,⁶¹ and public finance management⁶² showed good progress. Overall, while clear progress was made under this objective, the results achieved were much less ambitious than envisaged at the start of the CPF period.⁶³

19. Objective 2: Enhance conditions for private investment and diversification. The WBG aimed to counter the constraints to private sector growth - weaknesses in business enabling environment, infrastructure bottlenecks, and implicit public subsidies - through intense dialogue on business climate improvements (with a focus on agriculture), strengthening and streamlining the regulatory framework and institutions, narrowing the implementation gap, incentivizing agencies to fully implement laws and regulations, and adapting the reform design in light of learning and experience. WBG Country Private Sector Diagnostics recommended: (a) prioritizing hydropower investments for expanded generation; (b) accelerating development of digital infrastructure and digital ID; (c) reducing the regulatory burden; (d) attracting private investments, with a focus on FDI; (e) strengthening financial sector resilience, inclusiveness, and efficiency; and (f) investing in tourism development and promotion. Advisory services were extended to attract high-quality foreign direct investment, integrate MSMEs into Global Value Chains, and strengthen the insolvency regime. IFC advisory services focused on laws, regulations and implementation of business-climate related reforms. It continued investments in the financial sector and provided advisory support for PPPs. Specifically, the Bank, building on work done by IFC, extended a project to reduce the impediments dairy producers face in reaching markets by strengthening producer organizations and production clusters to facilitate private investment and diversification. In the aviation sector, the IFC progressed towards completion with a transaction structuring for the Manas Airport; however, it was halted at the government request. MIGA explored

⁵⁸ FRS accumulated and reflected more information on fiscal risks. It informed preparation of and discussion on the 2023 republican budget (<https://www.minfin.kg/pages/reforma-ugf>).

⁵⁹ All 9 SOEs, which represent the energy sector and account for 95% of total outstanding SOE debt, were included in the action (compared to 7 SOEs covered under FY21 PPAs accounting for 93% of total SOE debt). The entire energy sector became more transparent and adhered to the requirements of 2021 Law on Accounting by publishing financial statements (<https://www.minfin.kg/posts/otchetny-energeticheskikh-kompaniy-za-2021-god>).

⁶⁰ The Medium-Term Public Debt Strategy was published in FY21, rolled out annually from FY22, producing annual and quarterly calendar of domestic debt borrowing in line with the approved annual budget and restructuring energy sector's outstanding debt to improve its financial standing from FY23. In 2022 the overall CPIA score declined slightly from 3.53 to 3.58. Fiscal Policy and Debt Policy and Management scores remained unchanged at 3.5 and 4.0 respectively.

⁶¹ Tax Administration and Statistical Systems Modernization Project (P163711) approved in February 2020, with progress to PDO rated [as Satisfactory in FY23]. The project supports capacity building in tax and statistics to enhance the skills of human resources of the tax and statistics authorities. To date, procurement was successfully completed to launch series of training activities for tax authorities whereas statistics agency is upgrading its HR strategy, which key elements include staff careers, performance, training and capacity building.

⁶² Second Capacity Building in Public Financial Management Project (P155148) approved in December 2017, and closed in August 2022 with Progress to PDO rated as Moderately Satisfactory: E-procurement system for consultancy services in the public procurement portal was prepared, launched and is functioning successfully; 35 training courses covering various aspects of PFM were delivered throughout the project and 2,053 staff (as against a target of 800 staff) of the Ministry of Finance and other government entities were trained; the budget transparency scores in the Open Budget Index improved from 54 out of 100 in 2015 to 62 out of 100 by 2021. In addition, 9 new training modules were developed, two training modules were updated and eight webinars were recorded. The training materials can be re-used in the regular training sessions beyond the project (Report No. ICR6150).

⁶³ Improving Fiscal Risk Management in the Kyrgyz Republic (World Bank, September 2022).

opportunities to facilitate cross-border investments and provide political risk insurance in the agriculture sector. In June 2023 MIGA issued a guarantee to Agricultural Corporation In Water Solution, Inc. (IWS Korea) of the Republic of Korea for their investment in IWS Smart Farm, against the risk of Transfer Restriction and Currency Inconvertibility. MIGA continues to explore engagement opportunities to mobilize and support additional cross-border investments in environmentally friendly and smart farming in the agriculture sector, which is a key economic driver in the country.

- 20. Objective 2 outcomes were *partially achieved*.** The indicator relating to the export of dairy products was achieved. However, this indicator was too narrow a measure of the objective of enhancing conditions for private sector investment and diversification. At the CLR stage, wider evidence from several broad indicators informed our judgement: overall business environment showed mixed results, with overall private credit to the economy and global competitiveness ranking improving⁶⁴, while governance indicators⁶⁵ on government effectiveness, regulatory quality, rule of law, and control of corruption either stagnated or got worse.
- 21. Objective 3: Enhance financial deepening and inclusion.** The financial sector is vulnerable to shocks, as the economy is highly dollarized and exposed to the volatility of developments in Kazakhstan and Russia. Vulnerability is exacerbated by a shallowness in the financial market, regulatory gaps in supervision and low access to financial services. Weak institutions (e.g., secured transactions, judicial system) drive up risk and hence loan costs, and the system faces serious distortions from subsidized lines of credit that tend to be made available to the most creditworthy and politically connected. The WBG responded with extensive advisory work in all these areas and in digital finance and credit infrastructure. IDA extended a project to reform the post offices (thereby improving access) and to support modernization of supervision, as well as through emergency lending to MSMEs in response to the pandemic. IFC presence in the sector was through partnership with local banks, as well as non-bank and microfinance institutions, MSMEs and the agriculture sector. IFC has supported a private equity fund that between 2019 and 2020 invested in portfolio companies 26% or US\$6.1 million of the raised US\$23 million.⁶⁶ IFC also worked with financial intermediaries to help integrate environmental, social, and corporate governance standards in due diligence and portfolio management.
- 22. Objective 3 outcomes were *mostly achieved*.** The demand side indicator on MSMEs reached with financial services exceeded its target- with 544,012 MSMEs reached against the target of

⁶⁴ According to NKBR Private Credit/GDP went from 20.4% in 2017 to 25.1% in 2021. Between 2017 and 2019 the Kyrgyz Republic went from the 100th to the 96th most competitive nations in the world out of 140 countries in the Global Competitiveness Report.

⁶⁵ Between 2017 and 2021 Kyrgyz Republic's performance as measured by percentile rank among all countries were as follows: Government Effectiveness improved from 24% to 26%, Regulatory Quality deteriorated from 38.5% to 31.7%, Rule of Law deteriorated from 17.3% to 14.4%, and Control of Corruption deteriorated from 13.9% to 13%. World Governance Indicators, World Bank.

⁶⁶ In 2018 IFC committed US\$8 million to the Fund. The Fund raised US\$23 million and in 2022 deployed around US\$15 million across 11 investees, of which 10 were in the Kyrgyz Republic. The Fund deployed 50% of its capital and made three investments each year so far in the first three of the five-year investment period. Percentage of investee companies with growth in revenue – proxy with percentage of investees with revenue growth 5 p.p. above GDP was 67% in 2021.

450,000.⁶⁷ The supply side indicator targeted a 20-percent level at the increase of physical access points for financial institutions per number of MSME; the result was 8 percent⁶⁸ in 2021 and the full target is unlikely to be achieved by the CPF end. Accessibility has been one of the major barriers to financial inclusion as the country has a limited number of access points outside of the capital city Bishkek: 83 percent of the population lives outside of the capital city, but only approximately 40 percent of the access points are located there.⁶⁹ Nevertheless, positive trend in improving physical access for financial institutions was evidenced by (i) increasing number of ICT-equipped post offices with installed, operational front office cash terminals connected to the central hub from zero to 388 in June 2021 against the target of 360; and (ii) implementation of bank agency agreement in 9 post offices against the target of 3, which indicates the number of operationalized agency agreements with banks.⁷⁰ Two further indicators were added at PLR stage: (i) the number of MSMEs that survived the pandemic crisis out of those receiving emergency support (RFA) was targeted at 9,000 of which 3,600 for female-headed households, had results of 6,151 and 3,797, respectively, as of June 2023.⁷¹ The target for female-headed MSMEs has been met. The overall target is not likely to be met. The initial eligibility conditions for RFA made it difficult for many micro and small businesses to access RFA. Throughout the course of the first year of project implementation, the eligibility criteria were amended to address this issue. Further, the initial targets seemed quite ambitious; however, this will be further assessed during the project mid-term evaluation; (ii) similarly surviving MSMEs that benefitted from a different form of emergency support (PRSF) was targeted at 1,700, of which 680 female-headed MSMEs, saw results of 3,396 and 977, respectively, as of June 2023.⁷² The target has been met.

Focus Area 2: Raise productivity and build connectivity

23. The CPF interventions were aimed at raising the long-term growth potential of the economy through a leap in productivity growth assisted by digitalization, a reformed energy sector where comparative advantage lay and by developing regional road transport. These actions would stimulate private investment, enhance climate resilience, and expand exports.

24. Objective 4: Enhance growth of natural resource sectors, especially hydropower. Performance in the energy sector has been hobbled by poor management, lack of cost-recovery tariff

⁶⁷ Kyrgyzstan Financial Markets Infrastructure Project (P592487). Completion Report, May 2021. The IFC methodology calculates loans to individuals and MSMEs (Micro Enterprises) together and bases its calculations on the number of inquiries about loans. IFC assumes that 20% of the number of inquiries lead to a loan to an individual or a micro enterprise. It further assumes that 20% of all loans go to micro enterprises. For SMEs, it assumes that 45% of those that register a security interest in a loan, get the loan. In our case the two together add up to 544,012 loans. For 2021, the National Statistics Committee estimates non-farm MSMEs to be 447,035. Farming households are an additional 467,423.

⁶⁸ Payment Systems in the Kyrgyz Republic. NBKR Report; and data from the National Statistical Committee of the Kyrgyz Republic.

⁶⁹ Population data from Demographic Yearbook of the Kyrgyz Republic (Available at <http://www.stat.kg/ru/publications/demograficheskij-ezhegodnik-kyrgyzskoj-respubliki/>). Access points data includes ATMs, POS, Payment terminals, branches, field cash outlets, and savings offices as reported in the by the NBKR (Available at <https://www.nbkr.kg/index1.jsp?item=98&lang=KGZ>)

⁷⁰ Kyrgyz Financial Sector Development Project (P125689, FY11)

⁷¹ <https://www.minfin.kg/pages/besprotsentnye-kredity-1/documents>

⁷² <https://gf.kg/en/statistika/mrpr/>

policies leading to waste of resources and severe under-spending in operations and maintenance, and weak cooperation with neighbors on the optimal joint exploitation of energy and water resources. In particular, the failure to follow through with medium-term tariff increases has been highly costly. The strong comparative advantage of the country in renewable energy has the potential to lay the basis for powering exports and growth.

25. WBG interventions were directed at improving sector governance, as well as seeking improvements in the efficiency and financial sustainability of the sector as well as deployment of renewable energy sources. The interventions addressed key challenges impeding sustained growth of the sector including poor sector governance, supply reliability, service quality, and lack of sector financial viability. The electricity losses declined from 15 percent in 2015 to 11.25 percent in 2020 in the distribution network supplying electricity to 52 percent of the total population. The sector governance and service quality improved thanks to the implementation of the corporate Management Information System (MIS), which helped improve quality of customer services and the corporate management system.⁷³ The Bank has thus far not focused on expanding the generation capacity, which is planned to be done through the Kyrgyz Renewable Energy Development Project (P178286), approved in FY23. The Bank-supported CASA-1000 project (P145054) has the potential to revolutionize export prospects, while the performance-based conditions on tariff rationalization in the Kyrgyz Electricity Sector Modernization and Sustainability Project (P177871), approved in FY22, is making steady progress. The sector studies prepared by the WBG, and recent IDA investments in the sector offer a strong basis for assisting the authorities with their governance, regulatory and tariff reforms, and expanding generating capacity, including through private sector involvement. IFC extended advisory services to improve the enabling environment for small and medium-scale hydropower projects through PPPs. A high-level Energy Forum organized by the Government with the World Bank's help in April 2022 and attended by senior leadership of IFIs and potential investors laid out a good platform for coordinated effort on energy reform. A draft Energy White Paper and Reform Roadmap detailing the government's comprehensive vision for the sector and implementation roadmap was unveiled by the Government at the Energy Forum in April 2022 and is at the final stage and expected to be approved by the Cabinet of Ministers in autumn 2023. Further, in the last year of CPF implementation there was a remarkable breakthrough in energy sector reforms with the signing a government decree by the Cabinet of Ministers announcing residential tariff increases effective May 1, 2023,⁷⁴ which is a testimony to the Bank's engagement over many years. This opens for the country an opportunity to take advantage of its potential in renewable energy development through the Kyrgyz Renewable Energy Development Project (P178286) worth US\$67.7 million, and through the US\$5 million Kambarata-1 Hydropower Technical Assistance Project (P181086; FY24).⁷⁵

⁷³ Electricity Supply Accountability and Reliability Improvement Project. ICR5088

⁷⁴ Effective May 1, 2023 residential tariffs have increased from KGS0.77 to KGS1.00 which represents a 30% increase. Residential energy consumption accounts for around two-thirds of all electricity consumption in the country, and this tariff increase is likely to positively impact cost recovery in the country.

⁷⁵ In 2020 the Bank developed a report on Integrated Hydropower Development in Naryn River Basin, which summarized available hydropower generation potential in Naryn basin, and presented a long list of proposed hydropower developments, and established a prioritized list of investments.

- 26. Objective 4 outcomes were *mostly achieved*.** The indicators on progress towards cost recovery⁷⁶ and energy savings in public buildings made significant progress but fell short of the target. However, the number of public buildings retrofitted to save energy exceeded the target. Finally, the indicator on adopting and implementing a strengthened regulatory methodology was achieved.
- 27. Objective 5: Promote digitalization and development of e-economy.** Digitalization is an essential pillar of competitiveness, critical to raising business productivity and to the implementation of e-governance. The WBG provided advisory work on digital platforms, digital identity, digital literacy, and legal and regulatory adaptations. The IFC invested in the largest private sector fiber optic network operator in the Kyrgyz Republic and provided advisory support to the government’s effort to expand fiber optics infrastructure and enhance e-commerce. IDA’s Digital CASA project (P160230; FY18) aimed at lowering cost and raising quality in digital communications services and in improved electronic government services, with an accent on closing the “digital divide” through empowering rural populations, youth, and women, and improving regional broadband connectivity infrastructure with cross-border fiber-optic links. However, project implementation stalled for three years due to several factors: (i) initial 11-month setback in project effectiveness due to lengthy internal government procedures⁷⁷; (ii) complex project design together with a difficult operating environment and insufficient capacity in the Implementing Agency; (iii) lockdowns and travel limitations in 2020 due to the COVID-19 pandemic. The change in government leadership in 2021 allowed for a meaningful dialogue, bringing the project back on track, and for an agreement on restructuring of the project that would simplify the objectives and improve implementation, which is likely to contribute to provision of broadband to unconnected lagging settlements and provide expanded cloud services for government systems in 2024 and 2025.
- 28. Objective 5 outcomes were *partially achieved*.** The indicator relating to the open data portal being fully operational was attained.⁷⁸ This indicator, however, is too narrow a measure of progress in this area over the CPF period. Wider evidence suggests significant progress⁷⁹ in the

⁷⁶ On cost recovery in electricity markets: The baseline of KGS1.06 (2017) and the target KGS1.65 (2023) in indicator 7 in Annex 2 relate to cash collection per kWh of distributed electricity, on which basis the actual value is KGS 1.6 as of end-2022 and estimated to reach KGS1.69 by the end of 2023; while the baseline for “cash collection per kWh of electricity generated” should have been KGS 0.62 (2017) and the corresponding target should have been KGS 0.75 (2023). On this basis the actual value is cash collected per kWh of electricity generated is KGS 0.66 by December 2022.

⁷⁷ The lag between Board approval and Effectiveness took 11 months.

⁷⁸ Since the Open Data portal’s launch in September 2019 the number of visitors is 111,600 users in total or 71 users per day. In terms of views, total number is 447,911 views or 286 views per day.

⁷⁹ Length of Fiber Optic Cables in the country increased from 21,300 Km in 2018 to 37,500 Km in 2021; International Bandwidth increased from 148 Gigabits/s in 2018 to 302 Gigabit/s in 2021; Income in IT based businesses in the country increased from KGS 899 million or 0.16% of GDP in 2018 to KGS1,943 million or 0.27% of GDP in 2021 (National Statistical Committee <http://stat.kg/media/publicationarchive/c2680694-07a1-4728-9921-131cb00e6c46.pdf>)

broader digitization objectives of the country, however, these cannot be directly attributed to WBG interventions⁸⁰.

- 29. Objective 6: Build transport connectivity.** The CPF aimed at supporting road connectivity in a regional context through investments, advice on raising the efficiency in road management, and developing tourism in the north of the country to take advantage of Kazakhstan’s market. Investments have been informed by climate change risks. The IFC has provided advice and conducted diagnostic work aiming to develop transport PPPs, particularly in the aviation sector, and is helping the government through analytical work to expand the country’s air connectivity in the post pandemic context to eventually facilitate the recovery of the tourism sector.
- 30. Objective 6 outcomes were *mostly achieved*.** The targets for two indicators relating to the decline in road user costs by trucks along rehabilitated sections in Batken oblast and the length of non-rural roads rehabilitated in this oblast were met⁸¹. However, implementation of the recent World Bank-financed project⁸² has been delayed, and IFC advisory support on Manas Airport has stalled.

Focus Area 3: Enhance economic opportunities and resilience

- 31. WBG interventions were directed at income generation, human capital development and strengthening the social fabric by increasing resilience among vulnerable households in the Kyrgyz Republic.** Investments targeted improved learning, health and social protection, rural water supply and sanitation; mainstreaming climate change and disaster risk considerations in operations; and through promoting integrated local development.
- 32. Objective 7: Develop human capital.** The Bank provided consistent support in school education and stepped up as part of the pandemic response to assist the authorities in organizing distance education (mainly lessons broadcast on TV for general education) and developing digital learning platforms through the Learning for the Future Project (P170542; FY20). The results on social protection are encouraging. The Strengthening Social Assistance and Labor Market Programs Project (P179024), approved in FY23, is aiming to improve the efficiency of the social protection system.
- 33. Institutional reform in the health sector** was pursued with a PforR instrument, through the Primary Health Care Quality Improvement Program (P167598; FY19). However, **frequent administrative changes to the structure of the health care system have led to slow and halting**

⁸⁰ While this expansion cannot be attributed to the Digital CASA project interventions, the telecom actions under the Kyrgyz Republic Programmatic Development Policy Operation I and II (P126034 and P126274) completed in FY16, as well as the policy dialogue with the Kyrgyz government that the World Bank and IFC carried out as part of preparation and restructuring of the Digital CASA project, including multiple workshops with private operators, contributed to the enabling environment for this infrastructure development.

⁸¹ These are outcomes of investment under the First Phase of the Central Asia Road Links (CARs-1; approved FY14; P132270)

⁸² Investments under IDA’s Central Asia Road Links- 3 (CARs-3; approved FY19; P159220) relating to building road, and tourism were delayed due to the pandemic, and frequent changes in the management of the implementing agency, but implementation has picked up pace since 2021 and implementation progress is rated as Moderately Satisfactory since October 2021.

progress towards improvement in the quality of health care. Despite the slow progress on overall sector reform, the Bank offered robust support to the pandemic response effort of the country. The Emergency COVID-19 Project (P173766; FY20) was rapidly prepared and the Contingent Emergency Response Component (CERC) of the existing Enhancing Resilience in Kyrgyzstan Project (P162635; FY18) was triggered to purchase oxygenators, diagnostic equipment, and personal protective equipment (PPE) for healthcare workers. An additional financing operation for the Emergency COVID-19 Project was also approved in FY21 to procure vaccines. The IFC, building on the success of catalyzing a hemodialysis⁸³ PPP, the first for IFC in Central Asia, continued to explore new PPP opportunities in the health sector in coordination with the government. The IFC advisory supported the Ministry of Health in preparing the feasibility assessment of attracting private sector participation into delivery of medical rehabilitation services. Though the PPP was postponed due to limited fiscal space, the feasibility study may be used by the government to deliver the PPP at a later stage.

- 34. Despite major technical and managerial constraints in the water sector, and the impact of the COVID-19 pandemic, significant progress was made.** The indicator on the number of individuals provided with water supply services exceeded the target of 123,000, reaching 127,199 (of which 52% are female) by April 2023 through the Sustainable Rural Water Supply and Sanitation project (P154778; FY16).
- 35. Objective 7 outcomes were *partially achieved*.** In education, the target on cognitive competencies at grade 8, and digital skill and capacity improvements for teachers were not achieved. Of the two health indicators, the one relating to improving the care of pregnant women was not achieved, while progress with COVID-19 vaccinations was only partially achieved. The Kyrgyz Republic has been highly successful in securing a significant stock of vaccines through the Emergency COVID-19 Project (P173766), and other bilateral deals and donations. However, the vaccination uptake remained low throughout the vaccination campaign due to low demand for vaccines and challenges in service delivery. Only 20.8% of the total population received a complete dosage of COVID-19 vaccination.⁸⁴
- 36. Objective 8: Support regional development.** WBG interventions focused on two areas: the northern oblast of Issyk-Kul with potential in agriculture and tourism, and the poorer southern areas of Osh, Jalalabad, and Batken, with infrastructure services, particularly road connectivity, investments in small towns and in the rural economy being the key elements of the strategy. The Bank provided knowledge services in raising agriculture productivity and developing tourism, approved regional development projects for the Osh and Batken oblasts, a regional road project (with a large tourism component), and community/village development projects in FY19-22. In addition, an urban development project (P151416; closed in FY21) contributed to supporting regional development through improvement of quality of municipal services and retrofitting of urban infrastructure in small towns. IFC has been supporting food processing and food retail companies in the development of sustainable supply chains, where

⁸³ PPP signed in 2017, delivered in 2018. <https://documents1.worldbank.org/curated/en/997391559919336492/pdf/Kyrgyz-Republic-Dialysis-Centers.pdf>

⁸⁴ <https://vc.emed.gov.kg/Home/DashboardMain>

opportunities may arise for the provision of supplier finance. IFC continues to provide advisory support in the areas of food standards and overall business enabling environment in the agriculture sector to increase private sector engagement.

- 37. Objective 8 outcomes were *partially achieved*.** The average percentage increase in crop productivity for water user associations was partially attained. The percentage of sampled beneficiaries who reported investments in social infrastructure to have met their post-pandemic needs exceeded the target of 80 percent for both genders.
- 38. Objective 9: Enhance resilience to climate change and disaster risks.** The country is highly vulnerable to the effects of climate change and to natural disasters, particularly in hydrology and seismic risks. This requires monitoring of water resources, regional cooperation in water basin management, warning systems for disaster risk, and the development of a green growth path based on renewable energy. WBG interventions supported environment and climate adaptation, strengthening management of disaster risks, as well as NDC commitments, and the development of a private sector led low-carbon growth path, focusing on energy, agriculture, and water. IDA projects in enhancing resilience and hydrometeorology modernization were successfully implemented over the CPF period and ASA prepared on contingent financing approaches in the event of natural disasters. A project on air quality improvement is under preparation. IFC has worked on energy efficiency projects with supporting financial infrastructure and sought to promote green processes in the industrial sector. MIGA remained in close engagements with foreign investors with the aim to (i) support smart farming in the country, which will contribute to increasing productivity levels by adopting new efficient technology, (ii) promote environmentally friendly agricultural activities and (iii) contribute to mitigation efforts in line with the climate change agenda. This resulted in MIGA issuing a guarantee to Agricultural Corporation In Water Solution, Inc. (IWS Korea) of the Republic of Korea for their climate-smart investment in IWS Smart Farm, against the risk of Transfer Restriction and Currency Inconvertibility.
- 39. Objective 9 outcome was *achieved*.** The entire population is now covered by improved emergency preparedness and response systems.⁸⁵ Both the entire population and the economy at large benefitted from the intervention, which provides information related to disasters in a timely manner, and allows for planning and risk mitigation, and reduces casualties and economic losses in case of disasters.

III. WORLD BANK GROUP PERFORMANCE

- 40. The overall performance of the World Bank Group is rated as *Good*.** The design and implementation of the WBG program contributed successfully to the pursuit of key CPF objectives in financial deepening and inclusion, regional and village/community development,

⁸⁵ Before the intervention, the coverage by early warning and response system was 42% only, and it was sporadic. Ministry of Emergency Situations of the Kyrgyz Republic.

climate adaptation and disaster risk response. A sound program of ongoing activities is in place for the next engagement period.

Design

- 41. Alignment.** The CPF was well-aligned with country goals, as expressed in the *National Development Strategy (2018-2040)* and the *Medium-Term Plan (2018-2022)*, particularly in the areas of human capital, digitalization, and spatially balanced growth. Though the official strategy professed a central role for governance and economic management and an expanding role for the private sector, lack of political commitment and political instability resulted in slow progress towards these goals; correspondingly, the CPF initiatives in these areas were limited. The adjustments of the CPF at the PLR⁸⁶ stage reaffirmed alignment with the official objectives on health and the post-pandemic recovery, expansion of investments in lagging regions, opportunities in village/community development, laying the foundations for growth through support for higher education, and pursuing efforts in water and energy reforms.
- 42. Use of instruments: ASA.** The CPF period saw the production of flagship reports on economic and fiscal management, public expenditure priorities, poverty and inclusion, and private sector assessment to provide the basis for a shift to a sustainable growth model based on a broadened export base. The ASA program covered energy tariff reforms and resilience in health in considerable detail. While dissemination was interrupted in the initial years of the pandemic, in FY21, FY22 and FY23 the WBG was able to hold four high-level forums on energy, human development, economic and water reform, alongside extensive engagement with government and parliament to support internalization of key policy recommendations. While ASAs on water, forestry and agriculture featured significantly in support of World Bank investment operations, consideration of environment and climate change and approaches towards resilient growth should have been pursued more systematically and coherently. Nevertheless, the Bank's ASA and TA work on vulnerability, energy and climate resilience⁸⁷ has laid the foundation for carrying out a detailed analysis in the *Climate Change and Development Report* (CCDR, scheduled for FY25), which will serve as an important instrument for providing the authorities with comprehensive and consistent advice in these areas. The Bank ASA and TA supported the development of the National Water Strategy until 2040,⁸⁸ and Energy White Paper and Reform Roadmap. The key area of governance deserved greater systematic attention in view of the weak performance of the civil service and the excessive wage bill, and weaknesses in the effectiveness and accountability of the government, in inter-ministerial coordination, and the rule of law.

⁸⁶ The PLR was submitted to Board in June 2022.

⁸⁷ Improving Energy Efficiency in Public Buildings (P163196); TA for Energy Tariff Reform including Poverty and Social Impact Assessment and Communication and Outreach Strategy (P163340); Supporting Energy Sector Reforms (P174466); Development of a Strategic Program for Climate Resilience in the Kyrgyz Republic (P162586); Poverty and Vulnerability in the Kyrgyz Republic: Assessing Trends, Drivers, and Challenges (P177792); Social Protection Response to Energy Sector Reforms (P169418).

⁸⁸ Approved by the President of the Kyrgyz Republic, Decree No. 23 dd. February 10, 2023.

<https://mnr.gov.kg/media/documents/%D0%9D%D0%B0%D1%86%D0%B8%D0%BE%D0%BD%D0%B0%D0%BB%D1%8C%D0%BD%D0%B0%D1%8F%D0%B2%D0%BE%D0%B4%D0%BD%D0%B0%D1%8F%D1%81%D1%82%D1%80%D0%B0%D1%82%D0%B5%D0%B3%D0%B8%D1%8F%D0%9A%D0%A0%D0%B4%D0%BE%2040%D0%B3%D0%BE%D0%B4%D0%B0.pdf>

- 43. *Lending.*** The Bank deployed a range of lending modalities, principally regular IPFs, but also an IPF with performance-based conditions in energy,⁸⁹ a P4R in health, and a multiphase programmatic approach for renewable energy.⁹⁰ A DPO was envisaged at the beginning of the CPF period but was not being pursued considering the reversals in key prior actions on energy tariffs and procurement reforms under previous DPOs. The CPF initially projected IDA grants and credits of US\$ 300 million; access to the regional IDA window of about US\$ 50 million (digitalization and roads); and access to the IDA private sector window of US\$ 4 million, complementing an IFC investment of US\$ 4 million in an SME fund. The PLR raised the IDA commitment in FY22 alone to US\$ 250 million, partly reflecting additional resource allocations to deal with pandemic effects, and the overall commitments for the CPF period FY19-23 reached US\$ 818.9 million.⁹¹
- 44. *Absorbing lessons learnt.*** The CPF endeavored to follow the lessons derived from immediate past experience in five areas: (i) mainstream governance factors in a multi-CPF context; (ii) take a holistic approach to private sector development; (iii) support reforms via programmatic knowledge products and focused dissemination; (iv) direct IDA resources only to high priority government needs; and (v) design interventions flexibly in view of governance and other risks. As noted, the DPO experience showed the difficulties of attempting to mainstream governance factors in a systematic manner in such critical areas as fiscal discipline and procurement reforms; nevertheless, the CPF period saw progress in building good practices and institutions in debt management,⁹² energy,⁹³ and social protection.⁹⁴ Moreover, quality programmatic knowledge products were provided but dissemination needed to be bolstered. Though a holistic approach was taken to private sector development in the flagship ASA, implementation has proven to be difficult in view of uncertain government commitment, especially on SOE reforms. The CPF strategy, especially PLR adjustments, was effective in alignment to high government priorities and in its flexibility of approach in view of the large uncertainties.
- 45. *The CPF structure and the results framework.*** The structure of the CPF was parsimonious and clear, with well-designed focus areas and a clear sense of strategy. It was possibly over-ambitious in its objectives on structural reforms given the poor history of reforms over the past decade or more. The ambitions on maximizing finance for development was clearly a large stretch in view of the poor operating environment and scale of the local economy as well as less than optimal internal WBG coordination. The results framework was not strong in design: first, the coverage of the results indicators with respect to the objectives was in several cases tenuous⁹⁵; second, the indicators were derived entirely from IDA or IFC projects (which were

⁸⁹ The Kyrgyz Electricity Sector Modernization and Sustainability Project (KEMS; P177871), delivered in FY22, is an IPF but with performance-based conditions that account for about half of the project amount.

⁹⁰ The Kyrgyz Renewable Energy Development Project (P178286), delivered in FY23.

⁹¹ This is a significant increase compared with US\$ 328.5 million for the previous CPS period of FY 14-17.

⁹² See para 17 and associated footnotes.

⁹³ See para 17 and associated footnotes.

⁹⁴ All district (rayon) systems were integrated with the Registry of Social Protection (SP MIS) which is used to identify poor households at the Ministry of Labor, Social Security and Migration (<https://mlsp.gov.kg/otkrytye-dannye/>).

⁹⁵ Thus, in the results matrix as amended in the PLR, the indicator related to the important objective of private sector development was narrowly defined to be dairy exports; the indicator relating to digitalization of the economy was merely the opening of a data portal; there were no indicators on financial deepening; and there was no indicator on enhancing resilience to climate change.

being monitored in the context of those projects anyway); and higher-level indicators to measure broader impacts were largely absent, possibly driven by concerns about attribution to Bank initiatives. The PLR did adjust the objectives and indicators to better reflect the time left in the CPF implementation period after extension, taking into account the lessons on counterparts' implementation capabilities and absorptive capacity, and overall complicated operating environment with frequent changes in government and unforeseen shocks. Objectives that were off-track were adjusted to better reflect the likelihood of achievement by the end of the CPF period, and indicators associated with such objectives were recalibrated or dropped (overall, 4 indicators were dropped, 11 new indicators were added, and 8 indicators were revised). Thus, the Bank's commitment to three focus areas and key objectives was maintained through such adjustments, although with a more realistic level of ambition.

46. *Managing risks.* The critical risks to the CPF program were well identified in the original document and refined in the PLR. Though *macroeconomic risks* remained Substantial and attempts at structural reforms saw limited success, the Bank maintained a strong dialogue on external debt management, strengthening the financial sector and procurement reform; *sector risks* were addressed through such instruments as P4R, IPFs with performance-based conditions and ASAs. *Key risks related to political and governance environment as well as institutional capacity for implementation and sustainability*, materialized during the CPF period. The CPF mitigated these risks by focusing on core, no-regret investments that had broad support from the government and within wider society, particularly those implemented in economically lagging regions. Regional and community level implementation acquired greater importance in the light of changes in the central government structures, and championship of Bank supported interventions by local communities helped sustain progress. The fight against *fiduciary risk* was hampered by poor government commitment to procurement reforms. The risk was mitigated through the continued dialogue with the government on promoting reforms, particularly, in public procurement and strengthening budget discipline and transparency through PPAs. A wider communication campaign around key reforms would have been helpful in garnering support in the broader society and further mitigating the risks of reversal.

Program Implementation

47. *Quick response and adaptability to client needs.* The Bank acted with timely adaptations to changing circumstances and priorities triggered by the pandemic in response to requests from the government. It exercised a leadership role amongst development partners in analysis of impacts and needs and in designing responses in health and support for economic activity and employment. Dialogue was pursued assessing the impact of the pandemic and developing policy recommendations; these were influential on government decisions. The PLR instrument was used effectively to reaffirm the CPF strategy and to introduce the revisions in the objectives and associated indicators to account for the pandemic response, the changing country context and lessons learned. The WBG was able to identify and work with champions in the new government to expand engagement in key sectors--energy, social protection, water, higher education--as part of the post-pandemic recovery effort, by utilizing the

enhanced IDA funds that became available. Commendably, the Bank has continued to forcefully press for reforms in public procurement, in close partnership with other IFIs,⁹⁶ in the face of government backsliding and parliamentary debate on the topic.

48. WBG collaboration. The World Bank and IFC have a strong history of joint work in private sector development, particularly investment climate and regulation as well as financial sector reforms, but collaboration could have been stronger over the CPF period. IFC has been working on mobilizing private investments through the development of anchor PPPs that would bring substantial foreign investments in the country, especially in segments that are vital for the landlocked country to improve its connectivity (e.g. air transport)⁹⁷ and the social indicators (e.g. energy independence), and by fostering privatization of SOEs. The Bank has been a vital part of these efforts, particularly, in securing the WBG mandate in the face of significant competition from other IFIs. Further, the Bank and IFC effectively collaborated in providing advice and financing for PPPs in the energy sector, building on the IFC's success in Uzbekistan and representing a potential direct foreign investment of US\$100-150 million. This new mandate was the result of close collaboration and joint efforts of the Bank and the IFC. MIGA's operational reengagement into the country's agriculture sector can enhance the effectiveness of IDA activities in agriculture and water management. Despite the WBG acting with one voice to convince the government of the value of this operation, it continues to face headwinds.

49. Portfolio. By June 2023, IDA committed portfolio⁹⁸ amounted to US\$ 1,044.5 million, of which US\$ 704.1 million remains undisbursed. This includes 21 new operations delivered during the CPF period for US\$ 818.9 million, including the first World Bank-funded project in the Kyrgyz Republic co-financed by the Asian Infrastructure Investments Bank (AIIB)⁹⁹ and Kyrgyz Republic's first Program for Results (PforR) operation.¹⁰⁰ The IDA delivery under FY19-23 CPF¹⁰¹ of 21 operations worth US\$ 818.9 million, which represents a twofold increase over the previous FY14-17 CPS period (\$328.5 million for 14 operations)¹⁰². While in FY19 four projects were delivered for US\$104 million, FY22 was completed with the delivery of four projects for US\$250 million. In FY23 three projects for US\$127.7 million were delivered. In addition, the country has committed to nine activities related to IDA19 Policy Commitments (PCs) focusing on governance and institutions.¹⁰³ Overall, the Bank portfolio expansion over the latter part of

⁹⁶ Joint formal communication with Government and key committees in Parliament, by World Bank, Asian Development Bank, European Bank for Reconstruction and Development, and United Nations has underpinned this effort.

⁹⁷ In December 2019 the Kyrgyz government accepted the IFC offer to advise the government on PPP in the airport sector. The Financial Advisory Services Agreement was signed in October 2021 under which IFC was hired as an Advisor for the structuring the tender for the Manas Airport PPP and assisting with introducing private sector participation in the Airport to invest in the upgrading of the infrastructure and O&M of the Airport through a long-term concession. However, this did not progress since the government asked to include another airport in Osh (in the south of the country), which IFC is now evaluating.

⁹⁸ Including Kyrgyz share of regional projects in the amount of US\$181 million of which US\$109.05 million remains undisbursed.

⁹⁹ Emergency Support to MSMEs (US\$50 million; P174028).

¹⁰⁰ Primary Health Care Quality Improvement Program (US\$20 million; P167598).

¹⁰¹ Of approximately US\$320 million over the CPF period. Please see Annex 3 for more detailed information on planned and actual IDA lending program

¹⁰² IDA delivery in FY18 (not covered by either CPF) reached US\$121 million: Heat Supply Improvement Project for US\$41 million (P157079); ERIK for US\$20 million (P162635); Digital CASA for US\$50 million (P160230); and CASA1000 CSP for US\$10 million (P163592).

¹⁰³ Please refer to para 58.

the CPF period was a deliberate effort help with pandemic response and recovery, and setting the foundations for great focus on energy, water, and food security in the next CPF period.

50. Overall, the Bank portfolio performance is judged to be *Moderately Satisfactory* with two problem projects including one regional project¹⁰⁴, thus bringing the commitment at risk to 6.3 percent of the portfolio of US\$1,044.5 million. Proactivity for the country portfolio was at 67 percent in FY19 and increased to 100 percent in FY23. At the beginning of FY19 only one country and one regional project were in problem status. The rise in problem projects in the portfolio in FY20-22 has been largely driven by the political turmoil in 2020 followed by government structural changes as well as with pandemic-induced uncertainty in policies and implementation. These factors seriously undermined the already weakened capacity of implementing agencies, which, in turn, led to protracted decision making and slowed down project implementation. Moreover, the operating environment was complicated with frequent audits and investigations by law enforcement agencies, which paralyzed the work of implementing agencies and its project implementation units and led to substantial slowdown in procurement processes. Effective portfolio implementation was also affected by internal signing and ratification processes in both executive and legislative branches, which continue to remain highly protracted and cumbersome with an average one-year delay between Board approval and effectiveness.¹⁰⁵ While the disbursement ratio has decreased from 22.6 percent in FY18 to 19.5 percent in FY23 (June 2023), this drop is primarily driven by the approval of 21 new lending operations since FY19 worth US\$ 818.9 million, which would disburse with a lag, but also reflecting a slowdown in procurements due to the pandemic and political instability during 2020 and 2021. Over the CPF period, the Bank carried out a consolidation of the portfolio such that the average project size rose from just over US\$23 million in 2018 to nearly US\$49 million by mid-2023 which deepened the engagement in key priority areas, but also raises the risk of lower disbursement ratios in the next CPF period.

Table 3 Indicators of Portfolio Performance

Fiscal Year	2018	2019	2020	2021	2022	2023*
Number of IDA projects	15	16	18	18	24	21
Country projects	12	12	13	13	19	17
Regional projects	3	4	5	5	5	4
IDA Net Commitment portfolio amount (US\$m)	348.5	415.0	576.7	688.7	979.0	1,044.5
Country projects (US\$ m)	252.5	265.0	411.7	502.7	793.0	863.57
Regional projects (US\$ m)	96.0	150.0	165.0	186.0	186.0	181.0
IDA Disbursed in FY	46.5	44.0	33.2	43.2	90.1	149.86
Country projects (US\$ m)	33.6	39.4	23.0	38.8	71.7	115.63
Regional projects (US\$ m)	12.9	4.6	10.2	4.4	18.4	34.23

¹⁰⁴ Primary Health Care Quality Improvement Program (US\$20 million, PforR; P167598); and Central Asia – South Asia Electricity Transmission and Trade Project (US\$45 million; P145054)

¹⁰⁵ On average, at the portfolio level the lag between Board approval to effectiveness is 11.4 months.

Fiscal Year	2018	2019	2020	2021	2022	2023*
Number of Problem Projects	2	2	4	3	7	2
Country projects	2	1	2	1	5	1
Regional projects		1	2	2	2	1
Commitments at Risk	13.9	13.0	125.9	125.0	196.4	65.5
Country projects (US\$ m)	13.9	5.0	20.9	20.0	101.4	20.0
Regional projects (US\$ m)		5.0	105.0	105.0	95.0	45.0

Source: World Bank data systems.

* As of June 2023

51. To support and supplement key aspects of the program, the Bank also used trust funds effectively with financing from the Global Agriculture and Food Security Program (GAFSP), the Global Facility for Disaster Reduction and Recovery (GFDRR), the Japan Social Development Fund (JSDF), the Policy and Human Resources Development Fund (PHRD), the Global Partnership for Education (GPE), the Energy Sector Management Assistance Program (ESMAP) and other funds. There is a significant number of trust funds (US\$104.05 million, of which US\$84.30 million are RETFs and US\$19.75 million are BETFs), the largest of which support the agriculture/irrigation, water resources, health, and education sectors. A total of five TFs worth US\$26.72 million were used to directly co-finance IDA lending.¹⁰⁶

52. The Bank responded quickly to the COVID-19 crisis and made appropriate adjustments to the program. The Bank delivered three additional projects during FY20 well targeted at the needs of the population¹⁰⁷ in addition to the originally planned three projects¹⁰⁸. In addition, four projects in agriculture, environment, urban development, and water sectors were restructured and US\$3.5 million was made available to address more general community pandemic needs.¹⁰⁹ These interventions were effective in supporting communities during the pandemic. In particular, the support enhanced disease detection capacity with laboratory equipment, staff training, procurement of essential medical goods and financing of surge staffing needs for effective health systems strengthening. Moreover, the FY21 program, originally envisaging three projects, was revised as well and five new projects were delivered for US\$125 million¹¹⁰ to support government efforts during the post-COVID-19 economic recovery phase. In addition, in FY22 Emergency Support to MSMEs Additional Financing

¹⁰⁶ Primary Health Care Quality Improvement Program (P167598); Tax Administration and Statistical Systems Modernization Project (P163711); Additional Financing to Heat Supply Improvement Project (P171934); CASA-1000 Community Support Project Additional Financing (P163592); and Electricity Sector Modernization and Sustainability Project (P177871).

¹⁰⁷ The Enhancing Resilience in Kyrgyzstan Additional Financing (US\$ 55 million), the Kyrgyz Republic Emergency COVID-19 Project (US\$12.2 million), and the Learning for the Future (US\$ 50 million).

¹⁰⁸ Two IDA-financed projects for US\$60 million and one IDA-financed operation with undefined commitment amount

¹⁰⁹ Activities under two projects (Agriculture Productivity and Nutrition Improvement Project (P132754) and Integrated Forest Ecosystem Management Project (P151102) have been refocused to address country's needs in food security, medical equipment, and sanitation; two other projects (Urban Development Project (P151416) and Sustainable Rural Water Supply and Sanitation (P154778) have been restructured to accommodate government needs

¹¹⁰ The Emergency Support to MSMEs (US\$50 million; P174028), Social Protection Emergency Response and Delivery Systems Project (US\$50 million; P174072; cancelled after Board approval at the government request), Third Village Investment Project COVID-19 Additional Financing (US\$17 million; P174316), CASA-1000 Community Support Program COVID-19 Additional Financing (US\$21 million; P174285) and Integrated Dairy Productivity Improvement Project Additional Financing (US\$17 million; P174318)

(US\$50 million) was delivered to expand economic response to COVID-19 impact. Overall, crisis response in the Kyrgyz Republic has been accommodated by expanding the CPF scope. The pandemic has entailed critical adjustments for more effective emergency response, i.e. sequencing of pipeline operations by prioritizing those that may be more relevant in the current circumstances (e.g. Emergency Support to MSMEs) and focusing the portfolio under implementation through restructuring and additional financing of existing IPFs to support both health and economic response to the COVID-19 crisis.

53. At [April 2023], IFC’s investment commitments for FY19-23 amounted to US\$[28.5] million across [six] new projects, which included projects concentrated in financial markets and information and communication technology. The advisory interventions covered sustainable agrobusiness and support value chains, and infrastructure development through investments and PPPs, particularly, in energy, transport, as well as in health and education. Under IFC 3.0 and the maximizing finance for development (MFD) approach, IFC sought utilization of the IDA’s Private Sector Window (PSW) and Creating Market Advisory Window (CMAW) resources to support private sector development.

54. *Quality of Supervision.* The Bank has had to face a complicated operational environment, with frequent changes in government counterparts and resulting delays and reversals, for example, cancellation requests even after the Board approval of a project¹¹¹ or inordinate delays in implementing a project after Board approval.¹¹² This has complicated dialogue and supervision. More recently, the Bank and the authorities have collaborated fruitfully on implementation support and project restructuring of problem projects with encouraging results. However, most of the project restructurings were for closing date extensions, which reflect the continuing difficulties related to parliamentary or government procedures to ratify projects that undergo more substantial changes. The Bank’s implementation support was affected by the closures associated with the pandemic as well as the spillovers of the political turmoil, especially the frequent changes in ministerial or agency leadership. IEG’s “Quality of Supervision” and “Safeguards” ratings to IPFs that closed over the CPF period were on average in “MS-S” range. Frequent virtual and hybrid supervision activity at the project level was combined with joint portfolio reviews with the Ministry of Finance and line ministries. This facilitated proactivity actions that successfully addressed major implementation challenges. Between 2019 and 2022 proactivity increased from 67 percent to 100 percent.

55. *Coordination with development partners.* The WBG partnered with key donors, playing a convening role, to champion policy reforms in economic and other sectors and in particular to craft the international response to the pandemic. The US\$ 818.9 million in IDA financing over the CPF period, has leveraged US\$90 million in grant financing from other development partners (AIIB, KfW, Switzerland, and EU). Switzerland has partnered with the WBG in health, water, governance, financial and energy sector development and has supported capacity building in public financial management jointly with the EU and the World Bank. The EU has

¹¹¹ Social Protection Emergency Response and Delivery Systems Project (P174072; FY21)

¹¹² Digital CASA-Kyrgyz Republic (P160230; FY18)

been an important contributor to the Bank executed Central Asia Water and Energy Program and to the policy dialogue in education. The German KfW and GIZ were major financiers in health, social protection, energy, and environment. The CASA-1000 energy project was supported by the UK (FCDO), EIB, IsDB and USAID. The WBG and the UN family collaborated closely in formulating their respective contributions to the post-pandemic response.

- 56. The World Bank and ADB** are well aligned in activities in rural water supply and sanitation, education, connectivity, and regional development. **The World Bank and the EBRD** have cooperated on digital governance, water, and wastewater systems, MSME policies and investments, and energy efficiency. **AiIB** co-financed a project on MSME support. Partnerships with other IFIs and other development partners will expand in the new CPF period as the government launches implementation of the medium-term development plan for 2022–2026.
- 57. The dialogue on budget support operations could be intensified with a view to developing a common approach and platform for supporting reforms without exerting cross-conditionality.** This would involve working together also with the IMF as well as the EBRD, the ADB and the EU to develop a shared understanding of macroeconomic needs and risks and reform priorities as well as a set of minimal reform actions without which budget support operations would not be purposeful.

IV. ALIGNMENT WITH CORPORATE GOALS

- 58. The WBG program under the CPF supported the twin goals of ending extreme poverty and promoting shared prosperity.** The PLR oriented the CPF to assist the country in responding to multi-pronged challenges brought by the crises to mitigate the impact on the lives and livelihoods of the country’s inhabitants. In particular, many MSMEs faced imminent closure in the face of the economic crisis, with direct impact on employment in the country. Lagging regions, such as Batken and Osh¹¹³, saw acute crises hit their economies. The country’s health system was overwhelmed at the onset of the pandemic, and vaccines were scarce.¹¹⁴ The education sector was unprepared for remote learning in the context of the pandemic and faced fundamental problems in providing quality education in schools and universities.¹¹⁵ The social protection system was not prepared to meet the challenge of the pandemic and needed an overhaul.¹¹⁶ As the crisis put pressure on the public finances, long-standing structural issues of the decaying energy sector, which absorbs around 3 percent of GDP in subsidies every year, came out as an increasingly important priority for the reform. The Bank program supported both emergency reform and structural improvements in human development service delivery, assisted MSMEs with recovery, and helped catalyze reforms in the energy sector (including on

¹¹³ Batken, poorest oblast in the country, and Osh, the second poorest oblast in the country, were both supported with Regional Development Projects worth US\$ 50 million (P175587; FY22) and US\$ 60 million (P167428; FY20) respectively.

¹¹⁴ Health response to the pandemic was supported with the Emergency COVID-19 Project of US\$12.2 million (P173766; FY20); its Additional Financing of US\$20 million (P176054; FY21) and US\$9 million CERC activated under the Enhancing Resilience in Kyrgyzstan (P162635; FY18)

¹¹⁵ Learning for the Future worth US\$50 million (P170542; FY20)

¹¹⁶ Social protection systems of the country were supported through US\$50 million Social Protection Emergency Response and Delivery System Project; however, the project never became effective and was cancelled at client’s request. In FY23 the Board approved US\$30 million Strengthening Social Assistance and Labor Market Programs (P179024).

the energy tariffs¹¹⁷) accompanied by better targeting for the poor through social protection measures. The expanded Bank engagement in these critical areas is reflected in the shift in government priorities towards development of lagging regions (Osh, Batken), renewable energy, water and agriculture, and overall connectivity, including digitalization, although the results will likely be achieved in the medium term.

59. The Kyrgyz Republic has committed to nine activities related to IDA19 Policy Commitments (PCs) with a heavy focus on Governance and Institutions (6 PCs),¹¹⁸ which are broadly on track. In FY21-22 the country successfully implemented PPAs in the context of the SDFP initiative associated with improving public debt transparency and management, and fiscal risk assessments.¹¹⁹ The expenditure arrears decreased from 5.5% in 2018 to 4.2% in 2020, and 3% in 2021; e-procurement module for consultants' hiring was integrated into the national e-procurement portal;¹²⁰ country budget transparency score in the Open Budget Index (OBI) improved from 54 in 2015 to 62 out of 100 in 2021; an econometric model for revenue forecasting was developed for the usage as part of the revenue forecasting methodology; and finally a Financial Management Information System (FMIS) was designed to streamline and improve effectiveness of the budget resources use and oversight.¹²¹

¹¹⁷ Effective May 1, 2023 residential tariffs increased, for the first time in over a decade, from KGS 0.77 to KGS 1.00 per kWh - a 30% increase. Since residential energy consumption makes up nearly two-thirds of all energy consumption, this reform is likely to improve the sectors financial viability and reduce its dependence on subsidies. This reform was supported through The Kyrgyz Electricity Sector Modernization and Sustainability Project (KEMS), delivered in FY22- an IPF with performance-based conditions related to tariff reforms.

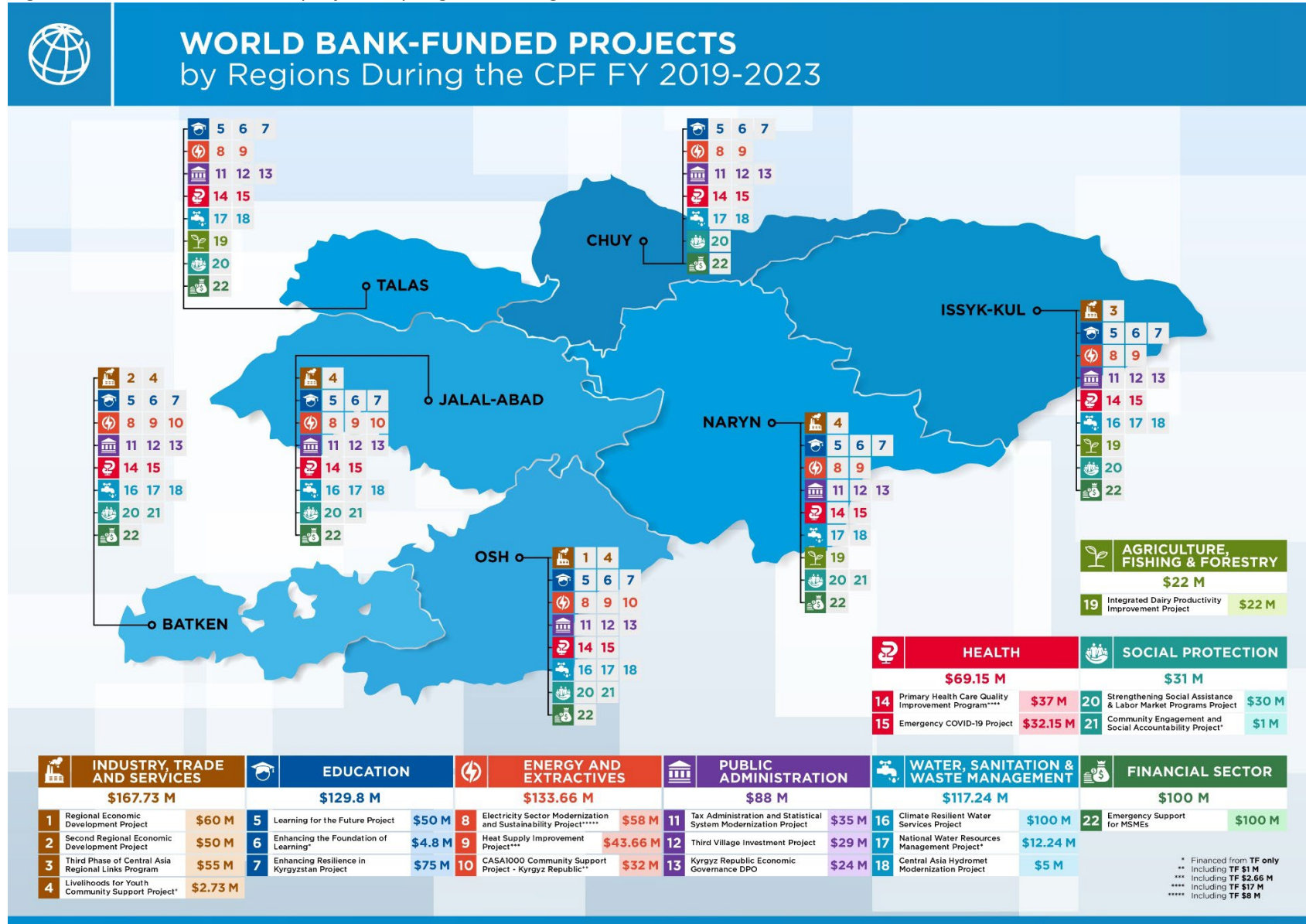
¹¹⁸ These are PCs on Supporting enhanced debt transparency and management; Bolstering fiscal risk assessment and debt management capacity; Strengthening domestic resource mobilization; Strengthening infrastructure governance (investments); Strengthening infrastructure governance (policies/regulations); and Supporting Implementation of e-procurement systems.

¹¹⁹ In FY23 the authorities committed to further: (i) improve debt transparency by preparing and publishing annual public debt reports (PPA1); (ii) ensure fiscal sustainability by preparing and publishing on an annual basis the Information on Fiscal Risks (PPA-2); and (iii) improve public debt management by restructuring the energy sector SOEs debt and providing any new sub-financing to energy sector SOEs on terms at least equal to the terms of financing received from various financiers. FY23 PPAs were implemented and assessed; implementation assessment approval is at final stage.

¹²⁰ In 2021 36 IC selections were processed using the new module, of which 22 resulted in contract awards; in first six months of 2022 31 IC selections were processed, of which 16 contracts were awarded.

¹²¹ Second Capacity Building in Public Financial Management (P155148; Report No. ICR6150).

Figure 1: World Bank-funded projects by regions during the CPF FY19-23



V. LESSONS LEARNED, FINDINGS AND RECOMMENDATIONS

- 60. First, the CPF and its implementation plan should remain flexible considering the fragile political and social conditions and frequent changes in government, so that any adjustments can be accommodated whilst maintaining the central objectives.** The CPF ensured a long-term commitment to a few core development objectives, which was sustained through turbulent times. Commitment to building the client capacity at the level of central government through delivering multiple capacity-building workshops¹²² and close frequent engagement and regular joint portfolio performance reviews (JPPR)¹²³ with key counterparts (at managerial and technical levels), was supplemented by added efforts on building partnerships with regional governments and communities, both of which exhibited greater continuity in leadership and ownership of development activities and were critical to effective World Bank response during crises. The flexibility was demonstrated by important adjustments to the lending program, particularly, in response to the evolving government's emphasis on health and post-pandemic economic recovery, expansion of investments in lagging regions and opportunities in village/community development.¹²⁴
- 61. Second, core reforms in fiscal stability, public finance (especially procurement), and energy should be sine qua non for any budget support operations, with firm conditions for non-reversibility of actions.** The WBG should deepen evidence-based advice in a medium/long-term perspective and resolutely pursue a structured dialogue in three critical areas: (i) fiscal stability based on rules-based budgets so as to shield the economy from vulnerabilities arising from the global economic cycle and output and trade shocks from conflicts; (ii) strengthening public finance management, especially in public procurement; (iii) gradually eliminating energy subsidies on the path towards long term sustainability of energy sector. Experience¹²⁵ suggests that budget support operations should be extended only contingent on progress in these areas and with a full understanding of the exceptionally high governance-related risks.
- 62. Third, the capabilities and absorptive capacity of project implementing agencies should be carefully considered at project design stage.** Where capacity constraints are identified, effective implementation should be provided with the intensive supervision by Bank teams, extensive consulting, and technical assistance (TA) services, in addition to capacity building. Bank dialogue should focus on, and project design should ensure high readiness of project components at entry, adequate TA, and capacity building in the projects. This lesson should apply generally, but is particularly relevant to work in human capital sectors,

¹²² During CPF implementation period a series of capacity building events were organized by project and CMU teams for key counterparts (Ministry of Finance, Presidential Administration, Implementing Agencies, PIUs, etc.) covering a range of themes from overall Bank engagement in the country to project management and implementation issues, M&E, fiduciary, safeguards, etc.

¹²³ JPPRs are conducted twice a year jointly with key counterparts. The objective is to review and assess performance of the portfolio, identify key barriers and cross-cutting issues which are jeopardizing the overall implementation progress, and agree on an action plan for portfolio performance improvement.

¹²⁴ IDA commitment in FY20-22 amounted to US\$587.2 million, of which US\$294 million, reflect additional resource allocations to deal with pandemic effects.

¹²⁵ Procurement and energy tariff reforms were supported by earlier budget support operations in 2015 and 2018, but saw reversals in subsequent years.

digitalization, environment, and transport, where capacity constraints have hampered implementation. With regard to PPPs, the key issue is the lack of capacity which hinders the understanding of PPP modality. IFC should be building the counterparts' capacity through training courses (e.g. PPP certification) and workshops at key junctures of the projects in order to explain the fundamentals of PPPs, risk allocation, etc. For projects with regional IDA financing, national commitment to the regional dimensions must be carefully assessed. Where regional commitment is explicit and clear, such as under the CASA-1000 and Central Asia Hydrometeorology Modernization projects, implementation proceeds well. By contrast, the lack of regional forums in transport and digitalization to facilitate dialogue and cross-border collaboration was a serious weakness and caused commitments to be at risk. A lesson should be to only engage in regional initiatives where effective regional mechanisms either exist or are envisaged in the design to ensure cross border coordination and commitment.

63. Fourth, the core of a future strategy must lie in promoting the private sector. The recent experiences of WBG support for MSMEs, promising dialogue in PPPs for energy infrastructure, and the recent Country Private Sector Diagnostic offer a promising basis for progress. Particularly, the WBG engagement should continue focusing on supporting reforms to improve the environment for private sector growth with a combination of analytical and operational engagements and to help with strengthening capabilities and competitiveness of firms. It will be critical to engage candidly with the government to ease constraints, particularly, the regulatory burden expressed in practices of the informal sector, governance, access to finance, tax administration, etc.¹²⁶ An integrated approach should be followed by the WBG, particularly to realizing opportunities in maximizing finance for development despite the disadvantages of a poor environment and lack of scale. The WBG must enhance the authorities' knowledge of the full range of instruments available to attract foreign investment, particularly MIGA and IFC guarantees and financing.

64. Fifth, an agile Bank response to crises depends on rapid mobilization of World Bank teams to assess emerging challenges, incorporate them in project design and ensure swift approval of emergency response projects. Ongoing dialogue and existing mutual trust with key stakeholders, contextual knowledge of implementing agencies with relatively high capacity, and relationships with potential beneficiaries should be key to effective emergency response. Rapid response also benefits greatly from the availability of instruments such as CERC components in existing projects. In FY20-22 the CPF lending program was successfully expanded up to US\$587.2 million, of which US\$294 million were allocated to support the government emergency and post-pandemic recovery response.¹²⁷

¹²⁶ According to the World Bank Enterprise Survey (2019), informality, corruption, access to finance, tax rates are reported by firms as top business obstacles (24%; 17.5%; 8.2% and 6.2% of firms respectively).

¹²⁷ US\$50 million Learning for the Future (P170542; FY20); US\$55 million Additional Financing to Enhancing Resilience in Kyrgyzstan (P172761; FY20); US\$12.2 million Emergency COVID-19 (P173766; FY20); US\$50 million Emergency Support to MSMEs (P174028; FY21); US\$21 million CASA1000 Community Support Additional Financing (P174285; FY21); US\$17 million Additional Financing to Third Village Investment Project (P174316; FY21); US\$17 million Integrated Dairy Productivity Additional Financing

65. Sixth, the CPF results framework needs to be strong in its design. The indicators should be selected with careful consideration of achievement of the objectives and commensurate with the scale of engagement as well as in line with the lessons on low capacity of project implementing agencies and the need to make WBG collaboration more coherent and coordinated. There is a need to select high-level indicators that better measure broader impacts. It is also important to collect robust evidence (qualitative and quantitative) in the process of the CPF implementation, which can be used in explaining the WBG contribution to the objective achievement when there is no direct attribution to specific projects.

Annexes

Annex A: Summary of Status of the Kyrgyz Republic FY19-23 CPF Results Matrix

Focus area	Description	Status at CLR
1. Strengthening foundations for inclusive private sector-led growth	Objective 1: Strengthen institutions for improved macroeconomic management	Partially Achieved
	Objective 2: Enhance conditions for private investment and diversification	Partially Achieved
	Objective 3: Enhance financial deepening and inclusion	Mostly Achieved
FA 1 rating		Moderately Unsatisfactory
2. Raise productivity and build connectivity	Objective 4: Enhance growth of natural resource sectors, especially hydro-power	Mostly Achieved
	Objective 5: Promote digitalization and development of e-economy	Partially Achieved
	Objective 6: Build transport connectivity	Mostly Achieved
FA 2 rating		Moderately Satisfactory
3. Enhancing equitable economic opportunities and resilience	Objective 7: Develop human capital	Partially Achieved
	Objective 8: Support regional development	Partially Achieved
	Objective 9: Enhance resilience to climate change and disaster risks	Achieved
FA 3 rating		Moderately Unsatisfactory
Overall CPF Rating		MODERATELY UNSATISFACTORY

(P174318; FY21); US\$20 million Emergency COVID-19 Additional Financing; US\$50 million Emergency Support to MSMEs Additional Financing (P177871; FY22)

Annex B: The Kyrgyz Republic FY 19-23 CPF Results Matrix Evaluation

Objective	Overall Rating	Indicator	Baseline/ Target	Status at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program instruments
Focus Area 1: Strengthening foundations for inclusive private sector-led growth						
1.1: Strengthen institutions for improved macroeconomic management	Partially Achieved	Indicator 1: (a) Fiscal Risk Statements (FRS) are prepared and published; and (b) audited financial statements of 9 largest SOEs (all energy related) are disclosed	<i>Baseline:</i> No (2018) <i>Target:</i> Yes (2023)	Achieved Fiscal risk statements have been prepared and published by the government ¹²⁸ and audited financial statements of the nine largest SOEs (all energy companies) have been disclosed. ¹²⁹	<u>Lessons and Recommendations:</u> The submission of the Fiscal Rule to parliament was key prior action in the first DPO (2018). This was not met. Instead, improvement fiscal management and debt transparency were pursued through the PPAs. There is clear need to support systematic improvements in the content and coverage of formal fiscal risk statements, and increased transparency SOE management.	Completed: ASA: <ul style="list-style-type: none"> – Enhancing Public Investment Management (FY14-19) (P164956) – Country Economic Memorandum (fiscal rule, promoting formalization and enhancing productivity growth) (FY18-19) (P164982) – Improving Debt Management Practices in Kyrgyzstan (FY22-23) (P178164) – KAREP: Kyrgyz Audit and Financial Reporting Enhancement Project BETF Part (FY17) (P164208) – Fiscal Risk Assessment and Environmental Fiscal Policy (FY23) (P178010) – Support to SOE reform (FY23) (179561)

¹²⁸ <https://www.minfin.kg/pages/reforma-ugf>

¹²⁹ <https://www.minfin.kg/posts/show/otchet-energeticheskikh-kompaniy-za-2021-god-1>; <https://www.minfin.kg/posts/show/bishkektepiset>; <http://www.nesk.kg/ru/akcioneram-i-investoram/kvartalnye-i-godovye-otchyoty/>

Objective	Overall Rating	Indicator	Baseline/ Target	Status at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program instruments
						<ul style="list-style-type: none"> – TA by Debt Management Facility (DMF) (FY21-23) Policy Performance Actions: <ul style="list-style-type: none"> – PPA FY21 – PPA FY22 – PPA FY23 Trust Funds: <ul style="list-style-type: none"> – Capacity Building in Public Finance Management - 2 (FY18) (P155148)
1.2: Enhance conditions for private investment and diversification	Partially Achieved	Indicator 2: Increased export of agribusiness (dairy) products	<i>Baseline:</i> US\$22.6 million (2016) <i>Target:</i> 20% increase (2023)	Achieved According to the data of NBKR: in 2021, the total export of dairy products amounted to US\$54.2 million, representing an increase of 139% over 2016. ¹³⁰ As additional evidence for the objective, the private credit to GDP have increased from 20.4 percent in 2017 to 25.1 percent in 2021 (Source: NBKR).	<u>Lessons and Recommendations:</u> While this narrowly defined indicator was met, our future work should systematically support analytics and operational work on removing key constraints to private sector growth-by removing weaknesses in business enabling environment, improving tax administration, reducing infrastructure bottlenecks, including digital infrastructure.	Completed: ASA: <ul style="list-style-type: none"> – Country Private Sector Diagnostics (FY19) Ongoing: IPF: <ul style="list-style-type: none"> – Integrated Dairy Productivity Improvement Project AF (FY21) (P155412) – Tax Administration and Statistical Systems Modernization Project (FY20) (P163711) ASA: <ul style="list-style-type: none"> – Enhancing MSMEs’ Integration into Global Value Chains (FY22) (P178391) – Kyrgyz – SECO Financial Sector Development Project (FY13) (P159309) IFC Advisory: Completed: <ul style="list-style-type: none"> – Kyrgyz Republic Investment Climate Project (FY13-18) (599486)

¹³⁰ Balance of payments of the Kyrgyz Republic for the first quarter of 2022. Retrieved November 1, 2022, from <https://www.nbkr.kg/DOC/20092022/00000000059202.pdf>

Objective	Overall Rating	Indicator	Baseline/ Target	Status at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program instruments
						<ul style="list-style-type: none"> – Central Asia Trade Logistics Project (FY15-20) (601027) <p>Ongoing:</p> <ul style="list-style-type: none"> – Kyrgyzstan Resilience and Growth Project (FY18-FY23) (P602792) – Integrated Environmental, Social and Corporate Governance to Unlock Investments Project (FY17-FY24) (P602281) <p>IFC investment:</p> <ul style="list-style-type: none"> – SMEV Highland (39831) <p>Pipeline:</p> <p>IPF:</p> <ul style="list-style-type: none"> – Resilient Agri-food Clusters Development Projects (FY24) (P178120)
1.3: Enhance financial deepening and inclusion	Mostly Achieved	Indicator 3: Demand side - MSMEs reached with financial services	<i>Baseline:</i> 205,382 (2017) <i>Target:</i> 450,000 (2021)	Achieved Demand side – MSMEs with financial services reached 544,012. ¹³¹	<u>Lessons and Recommendations:</u> MSMEs form the bulk of private sector activity and increasing their access to financial services has helped reduce the financing constraints felt by these businesses. Future operations must build on these efforts, and gradually move towards supporting competitive markets free	<p>Completed:</p> <p>IPF:</p> <ul style="list-style-type: none"> – Financial Sector Development Project (FY12) (P125689) <p>Ongoing:</p> <p>IPF:</p> <ul style="list-style-type: none"> – Emergency Support for MSMEs (FY21) (P174028) – Additional Financing to Emergency Support for MSMEs (FY22) (P177871) <p>ASA:</p>

¹³¹ Semi-annual reports from Credit Bureaus and Collateral Registry.

Objective	Overall Rating	Indicator	Baseline/ Target	Status at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program instruments
					of distortions in loan pricing.	<ul style="list-style-type: none"> – Kyrgyz – SECO Financial Sector Development Project (FY13) (P159309) <p>IFC Advisory: Completed:</p> <ul style="list-style-type: none"> – Central Asia Agri-finance Project (FY13 - 20) (P599521) – Kyrgyzstan Financial Market Infrastructure Project (FY09-19) (P569391) – Transformation for MFIs in Kyrgyzstan (FY09-18) (563789) – Kyrgyzstan Housing Microfinance Project (FY11-22) (P585907) – Electronic & Digital Financial Services project in Azerbaijan and Central Asia (FY15-21) (P601347) <p>Ongoing</p> <ul style="list-style-type: none"> – Central Asia Financial inclusion Project (FY17-23) (602131) <p>IFC investment:</p> <ul style="list-style-type: none"> – KICB Micro (FY20) (43414) – BOP KICB (FY23) (47229) – BOP Bailyk Fin (FY22) (46695) – BOP Elet Capital (FY23) (46697) – Demir SME (FY23) (45726) <p>IFC ASA:</p> <ul style="list-style-type: none"> – CA Banking On Women (605443)
		Indicator 4: Supply side - Increase of physical access points for financial institutions per number of MSME (in percent)	<i>Baseline:</i> zero (2017) <i>Target:</i> 20% (June 2023)	Partially Achieved In 2021, the increase of physical access points for financial institutions per number of MSMEs stood at 8%. ¹³² The target of 20% is likely not to be achieved in full by the end of CPF implementation. Nevertheless, positive trend in improving physical access for financial institutions was evidenced by (i) increasing number of ICT-equipped post offices with installed, operational front office cash terminals connected to the central hub from zero to 388 in June 2021 against the target of 360; and (ii) implementation of bank agency agreement in 9 post		

¹³² Payment Systems in the Kyrgyz Republic. NBKR report; and data from the National Statistical Committee of the Kyrgyz Republic.

Objective	Overall Rating	Indicator	Baseline/ Target	Status at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program instruments
				offices against the target of 3, which indicates the number of operationalized agency agreements with banks (KG Financial Sector Development Project; P125689; closed in FY21).		<ul style="list-style-type: none"> – CAT Climate Smart Facilitation Program (606853) – Islamic Finance assessment in Central Asia (606812) – ECA COVID-19 financial sector response project (diagnostic and scoping) (605852)
		Indicator 5: The number of MSMEs that survived the COVID-19 crisis out of those who received the RFA	<i>Baseline:</i> 0 (2020) <i>Target:</i> 9,000 (2023), of which 3,600 for female-headed MSMEs (2023)	Partially Achieved As of June 2023, the number of MSMEs has reached 6,151 of which 3,797 are female headed. The target for female-headed MSMEs (3,600) has been met, while the target of 9,000 MSMEs that survived the COVID-19 crisis out of those who received RFA is not likely to be met. The initial eligibility conditions for RFA made it difficult for many micro and small businesses to access RFA. Throughout the course of the first year of project implementation, the	<u>Lessons and Recommendations:</u> Client ownership: Setting up the RFA was managed through the MOF, and they needed to build relationships with commercial banks to make the initiative work.	

Objective	Overall Rating	Indicator	Baseline/ Target	Status at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program instruments
				eligibility criteria were amended to address this issue. Further, the initial targets seemed quite ambitious; however, this will be further assessed during the project mid-term evaluation.		
		Indicator 6: The number of MSMEs that survived the COVID-19 crisis out of those who benefited from the PRSF	<i>Baseline:</i> 0 (2020) <i>Target:</i> 1,700 (2023), of which 680 for female headed MSMEs (2023)	Mostly Achieved The value as of June 2023, is 3,396 of which 977 are female headed. The target has been met. Since PRSF was a new instrument, the initial risk was high, and the market lacked knowledge of the instrument, which made only three banks participate at the inception, and now has increased to five. In addition, female-headed MSMEs do not have access to bank loans or credit lines which is compatible to male-headed MSMEs (18.2	<u>Lessons and Recommendations:</u> Hands-on support: in some technical areas, such as PRSF for commercial banks supported, the client capacity is low because of the lack of experience or no practice /product available in the market. However, clients are willing to learn, and patient hands-on support is important. -Speedy action when there is a window of opportunity: the political climate can change quickly in the Kyrgyz Republic. When there is a window of opportunity, accelerated preparation and implementation is important; otherwise, all	

Objective	Overall Rating	Indicator	Baseline/ Target	Status at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program instruments
				percent against 29.6 percent).	the efforts could go back to square one.	
Focus Area 2: Raise productivity and build connectivity						
2.1: Enhance growth of natural resource sectors, especially hydropower	Mostly Achieved	Indicator 7: Reaching cost recovery in electricity	<i>Cash collection per kWh of electric energy generated</i> <i>Baseline:</i> KGS 1.06 (2017) <i>Target:</i> KGS 1.65 (2023)	Not Achieved The baseline of KGS1.06 (2017) and the target KGS1.65 (2023) relate to cash collection per kWh of distributed electricity , on which basis the actual value is KGS 1.6 as of end-2022 and estimated to reach KGS1.69 by the end of 2023; while the baseline for “cash collection per kWh of electricity generated ” should have been KGS 0.62 (2017) and the target of KGS 0.75 (2023). On this basis the actual value is KGS 0.66 by December 2022.	<u>Lessons and Recommendations:</u> Energy tariff reforms are politically complex, and require a long-term political commitment, accompanied by an effective communication plan. To ensure sustainable development of the sector in the medium to long term, the Government needs to credibly develop, adopt and publicize its energy reform plan. In support, the WBG should develop a multi-phase program to support energy sector investment and reform aiming at elimination to subsidies to restore financial viability to the sector whilst providing targeted support vulnerable groups. A presence and activity in social media, and through outreach events like high-	Completed: IPF: <ul style="list-style-type: none"> – Electricity Supply Accountability and Reliability Improvement Project (FY15) (P133446) – Urban Development Project (FY16) (P151416) ASA: <ul style="list-style-type: none"> – TA for Energy Tariff Reform including Poverty and Social Impact Assessment and Communication and Outreach Strategy (FY20) (P163340) – Improving energy efficiency in public buildings (FY17) (P163196) – Hydro Development Roadmap: Integrated River Basin Assessment for the Naryn River (FY21) (P168306) – Efficient heating technologies (FY20) (P158386) – Social Protection Response to Energy Sector Reforms (FY19) (P169418) Ongoing: IPF: <ul style="list-style-type: none"> – CASA-1000 (FY14) (P145054) – Heat Supply Improvement Project (FY18) (P157079)

Objective	Overall Rating	Indicator	Baseline/ Target	Status at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program instruments
					level forums, are important for the Bank visibility and gaining support for difficult reforms in government and society.	<ul style="list-style-type: none"> – Electricity Sector Modernization and Sustainability project (FY22) (P177871) – Kyrgyz Renewable Energy Development Project (FY23) (P178286)
		Indicator 8: Decreasing energy intensity in public buildings	<i>Number of public buildings retrofitted</i> <i>Baseline: 0 (2017)</i> <i>Target: 9 (2023)</i> <i>Average electricity savings reached:</i> Baseline: 0 GWh/year (2017) Midpoint: 1.48 GWh (2020) Target: 2.0 GWh (2023)	Mostly Achieved Number of public buildings retrofitted reached 12 ¹³³ Average electricity savings exceeded the Midpoint level: 1.48 GWh and reached 3.28 GWh. By the CPF end no change is expected.	<u>Lessons and Recommendations:</u> While project level results are eminently doable, system-wide wide decrease in energy intensity in buildings need an overall Government energy reform plan to improve efficiency of energy use.	ASA: <ul style="list-style-type: none"> – Supporting Energy Sector Reform to Improve Financial Viability (FY24) (P174466) Pipeline: IPF: <ul style="list-style-type: none"> - CASA-1000 Additional Financing (FY24) (P181219) - Kambarata- Technical Assistance (FY24) (P181086) - CA Regional Electricity Market Interconnectivity and Trade (FY24) (P181214) IFC Advisory: Completed: <ul style="list-style-type: none"> – Central Asia and Caucasus Energy Infrastructure (FY14-18) (599545) Ongoing: <ul style="list-style-type: none"> – PPP advisory Kyrgyz Solar Umbrella (FY22) (607197) IFC Investment: <ul style="list-style-type: none"> – Potential investments in scaling solar power plant
		Indicator 9: Strengthen regulatory methodology in	<i>Adoption of a regulatory policy for annual cost</i>	Achieved	<u>Lessons and Recommendations:</u>	

¹³³ 6 buildings were retrofitted under Heat Supply Improvement Project (P157079); 6 buildings were retrofitted under Urban Development Project (P151416)

Objective	Overall Rating	Indicator	Baseline/ Target	Status at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program instruments
		the energy sector	<p><i>submissions to be made by energy companies to support tariff adjustments</i></p> <p><i>Baseline: No policy exists for at least one year (2017)</i></p> <p><i>Target: Policy in effect for at least one year (2023)</i></p>	The policy has been in effect since 2017/18. ¹³⁴		
2.2: Promote digitalization and development of e-economy	Partially Achieved	Indicator 10: Fully Operational Open Data Portal	<p><i>Baseline: No (2018)</i></p> <p><i>Target: Yes (2020)</i></p>	Achieved Target was achieved through the grant-financed “Implementing Open Data Action Plan for the Kyrgyz Republic” project (TF0A5660), which was allocated from the Trust Fund for Statistical Capacity Building (TFSCB) as complementary support for the preparation and	<p><u>Lessons and Recommendations:</u> Balancing high client expectations and low capacity are one of the main factors in successful project design. In this sector it is clear that more time is required for digital mainstreaming being pursued through Digital CASAs project implementation.</p> <p>WBG can play an important role by</p>	<p>Completed: Trust Funds:</p> <ul style="list-style-type: none"> – Implementing Open Data Action Plan for the Kyrgyz Republic (FY18) (P160933) – Cyber Resilience Program (FY20) (TF0B1364) <p>ASA:</p> <ul style="list-style-type: none"> – Tax Administration Reform Development (P166605) <p>Ongoing: IPF:</p> <ul style="list-style-type: none"> – Digital CASA – Kyrgyz Republic (FY18) (P160230) <p>IFC Advisory:</p>

¹³⁴ The Kyrgyz Government issued decree #518 <http://cbd.minjust.gov.kg/act/view/ru-ru/100260>

Objective	Overall Rating	Indicator	Baseline/ Target	Status at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program instruments
				implementation of the World Bank-funded Digital CASA - Kyrgyz Republic Project	assisting the authorities to develop a comprehensive digitalization strategy, and a realistic implementation plan. In many ways the private sector has moved the digital agenda forward despite of Government's slow progress and it would be good if the strategy would be designed to on maximize private sector participation.	<ul style="list-style-type: none"> – Kyrgyz VC and PE (607609) IFC investments: <ul style="list-style-type: none"> – EICat Project (FY20) (P42532)
2.3: Build transport connectivity	Mostly Achieved	Indicator 11: Road user costs by truck along the rehabilitated road sections in Batken	<i>Baseline:</i> 0.52 (2014) <i>Target:</i> 0.42 (2019)	Achieved This indicator target was achieved when CARs-1 project was completed in November 2018. Hence, the road user costs by truck along the project road sections decreased to 0.42 US\$/ vehicle km from 0.52 US\$/ vehicle km at the baseline, as targeted.	<u>Lessons Learnt and Recommendations.</u> The project design being the first in the series of CARs could have laid foundations to address the issues of unlocking the region's potential in participating in trade and supply chains through supporting economic and social activities and creating opportunities for the populations in the region. Apart from rehabilitating a road, the project could have considered support to local communities and	Completed: IPF: <ul style="list-style-type: none"> – Central Asia Road Links – Kyrgyz Republic (CARs-1) (FY14) (P132270) Ongoing: IPF: <ul style="list-style-type: none"> – Third Phase of the Central Asia Regional Links Program (CARs-3) (FY19) (P159220) IFC Advisory: Ongoing: <ul style="list-style-type: none"> - Manas Airport PPP (603201)

Objective	Overall Rating	Indicator	Baseline/ Target	Status at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program instruments
					small businesses to improve production and marketability of agricultural produces.	
		Indicator 12: Roads rehabilitated in Batken oblast, Non-rural (km)	<i>Baseline:</i> 0 km (2014) <i>Target:</i> 56 km (2022)	Achieved Under the Central Asia Regional Links – Phase 1 (CARs-1), the Bank contributed to improving connectivity of the Kyrgyz Republic with Uzbekistan, Tajikistan and China. It rehabilitated 56.4 km of road sections in Batken oblast and reduced travel time and transport cost. The improved connectivity delivered under CARs-1 was to directly benefit about 680,000 residents of Batken and Osh oblasts and indirectly 3 million residents of the Kyrgyz Republic and Tajikistan.		
Focus Area 3: Enhancing equitable economic opportunities and resilience						
3.1: Develop human capital	Partially Achieved	Indicator 13: Enhanced cognitive	<i>Baseline:</i> mean score: 541.6 (2017)	Not Achieved The actual mean score in 2021 is 524.2	<u>Lessons and Recommendations:</u>	Completed: IPF:

Objective	Overall Rating	Indicator	Baseline/ Target	Status at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program instruments
		competences/f oundational skills (basic literacy and numeracy) measured by National Sample based Assessment at grade 8 (NSBA) (percent, of which girls)	mean score for girls: 560.7 (2017) <i>Target: 1% + (2021), overall, 0.5% (girls)</i>	(2021), which is 17.4 score below the 2017 baseline; for girls the actual mean score is 547.5 which is 13.2 score below the 2017 baseline. <i>The planned target for the indicator hasn't been achieved. The mean score for the 2021 round of the National sample-Based Assessment of the learning results is 17.4 score (524.2) below the baseline in 2017 and explained by the increased learning loss during the school closure because of COVID-19 from February 2019 to May 2022.</i>	- Projects that are closely aligned with education sector priorities and Government's programs have a greater chance of reinforcing further sector reforms and accelerating educational improvements. - A strong sector dialogue and engagement with relevant experts and civil society organizations, is getting even more critical in addition to the common established forms of the policy dialogue, because it promotes ideas of reforms and helps to reach out the decision makers as those are quite attentive to the social temperature around their environment.	<ul style="list-style-type: none"> - Sector Support for Education Reform Project (FY14) (P113350) - Second Health and Social Protection (SWAp) (FY13) (P126278) - Kyrgyz Health Results Based Financing (FY13) (P120435) <p>ASA:</p> <ul style="list-style-type: none"> - READ-2 Strengthening Student Assessment for Improved Learning (FY17) (P163680) - Building Right Skills for Human Capital (FY20) (P167440) - Sustaining and Extending Health Gains in Kyrgyz Republic (FY17) (P162885) - Towards a more sustainable and effective UHC in the Kyrgyz Republic (FY16) (P158857) - Policy Options to address the Vulnerability of Migrants to COVID-19 and Beyond (FY20) (P175869) - Kyrgyz Republic UHC Resilience and Primary Care (PHRD) (FY21) (P175135) - Leveraging Modernization of Delivery Mechanisms to Strengthen Safety Nets (FY20) (P172526) <p>Trust Funds:</p> <ul style="list-style-type: none"> - Livelihoods for Youth Community Support Project (FY18) (P165286)
		Indicator 14: Percentage of training-certified primary and secondary grade teachers who improved digital skills and	<i>Baseline: 0 (2013)</i> <i>Target: 28% (2023)</i>	Not Achieved The target of 28 percent of training-certified primary and secondary grade teachers is not achievable by the end of the CPF period due to the need to	<u>Lessons and Recommendations:</u> It is important to ensure that various technical and administrative issues and processes are addressed as early as possible, which may delay the	

Objective	Overall Rating	Indicator	Baseline/ Target	Status at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program instruments
		capacity in teaching in remedial reading and STEM subjects through training programs aligned to the new curricula and evidence from the science of learning		revise the teacher training delivery schedule. The schedule has been revised because of the need to change the teacher training delivery format from an in-person to a blended online and in-person format to accommodate the substantial increase in prices of goods and services and to enable the training of the targeted number of teachers without undermining the quality. Preparation of the online part of the training required a substantial time.	implementation of Bank's program	<p>Ongoing:</p> <p>IPF:</p> <ul style="list-style-type: none"> – Sustainable Rural Water Supply and Sanitation Project (FY17) (P154778) – Primary Health Care Quality Improvement Program (FY19) (P167598) – CASA-1000 Community Support Project (FY18) and AF (FY21) (P163592) – Kyrgyz Republic Emergency COVID-19 (FY20) (P173766) and AF (FY21) – CERC component under the Enhancing Resilience in Kyrgyzstan project (FY20) (P162635) – Learning for the Future (FY20) (170542) – Strengthening Social Assistance and Labor Market (FY23) (P179024) – AF Primary Health Care Quality Improvement Project (RETF) (FY23) (P178856) <p>Trust Funds:</p> <ul style="list-style-type: none"> – Enhancing the Foundation of Learning (FY21) (P173601) <p>IFC Advisory: Completed:</p> <ul style="list-style-type: none"> – Kyrgyz Schools PPP Project (FY17-23) (602798)
		Indicator 15: New poverty targeting mechanism designed and implemented in districts	<i>Baseline:</i> zero (2017) <i>Target:</i> nation-wide (2021)	Partially Achieved All districts systems are integrated with the Registry of Social Protection (SP MIS) which is used to identify poor households at the Ministry of Labor,	<u>Lessons and Recommendations:</u> The need to strengthen the social protection delivery systems in the country is quite clear not only to better support poor and vulnerable groups in general but also to facilitate the design and implementation of key reforms, such as the	

Objective	Overall Rating	Indicator	Baseline/ Target	Status at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program instruments
				<p>Social Security and Migration.¹³⁵</p> <p>Further work on improving the poverty targeting mechanism is underway and is not completed.</p>	<p>Energy Subsidy Reforms that currently are being discussed (and partially delayed because the potential negative impact on underserved groups). - -To facilitate such engagement and have adequate discussions and consultations even under limited mission travel, there is a need to have a SPJ staff based in the Kyrgyz Republic.</p> <p>Engagement with wider Government and media is essential to win support for difficult reforms.</p> <p>Greater coordination within the Bank with our poverty and governance teams work in the regions and with sub-national governments can have great positive externalities.</p>	<ul style="list-style-type: none"> – Kyrgyz Health PPP Project (FY13-19) (599860) – KG Medical Rehab (FY18-19) (603201)
		Indicator 16: Number of people provided with water supply	<i>Baseline:</i> zero (2017)	Mostly Achieved As of April 2023, 127,199 people (out of which 52 % female) were	<p><u>Lessons and Recommendations:</u> Technical assistance and high-quality demand-driven advisory support</p>	

¹³⁵ <https://mlsp.gov.kg/otkrytye-dannye/>

Objective	Overall Rating	Indicator	Baseline/ Target	Status at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program instruments
		services under the Sustainable Rural Water Supply and Sanitation Project	<i>Target:</i> 123,000 (2023)	provided with access to improved water supply services under the Sustainable Rural Water Supply and Sanitation Project (P154778) and Sustainable Rural Water Supply and Sanitation Project (SRWSSP) Additional Financing (AF) (P162840). ¹³⁶ This was achieved through the construction/rehabilitation of 30 water supply schemes covering 52 rural villages in Osh, Chui and Issyk-Kul Oblasts. By June 2023, additional 10,352 people in 5 schemes are expected to receive access to improved water sources (Kyzyl Dzhar, Koo Chaty, Boroldoy, Dzhety Oguz), increasing the number of people	<p>was instrumental in maintaining effective dialogue with the country's stakeholders on improving the governance framework for the sector, and complemented institutional activities under ongoing projects (SRWSSP, SRWSSP AF).</p> <p>Technical assistance also allowed to engage international experts who provided recommendations and feedback to the developed documents (water law, SNIPs, etc.) under ongoing projects (SRWSSP, SRWSSDP AF) but also strengthened capacity of institutions by sharing international best practices.</p> <p>Involvement of stakeholders other than line ministries/agencies can open new opportunities for engagement (e.g.</p>	

¹³⁶ ISR sequence No. 15

Objective	Overall Rating	Indicator	Baseline/ Target	Status at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program instruments
				provided with water supply services under the project to 193,000 by June 2025 (project closing date).	cooperation with the antimonopoly agency on economic regulation in the Kyrgyz Republic).	
		Indicator 17: Increase in the percentage of pregnant women who received hemoglobin test and urine analysis for bacteriuria during the first trimester in a public PHC facility	<i>Baseline:</i> 16% (2019) <i>Target:</i> 36% (2023)	Not Achieved The Primary Health Care Quality Improvement Program (PHCQIP) became effective in June 2020. For 2020, the results verified by the Independent Verification Agent (IVA) indicate that the indicator had increased to 18.15% . The results for 2021 have not been verified yet, due to delays in reporting and sharing of relevant data on the MoH side.	<u>Lessons and Recommendations:</u> The health ASA and TA activities are funded by TFs. However, all of the activities are directly aligned with either the PHCQIP or the COVID-19 project. The TA activities were essential in ensuring the effective implementation of both projects. In the PHCQIP, the areas that have moved forward are the ones where the Bank has provided ongoing, intense technical assistance.	
		Indicator 18: Percentage of population that has received a full course of COVID-19 vaccination	<i>Baseline:</i> zero (2021) <i>Target:</i> 28% (2023)	Partially Achieved As of December, 2022, the percentage of population with a full course of COVID-19 vaccination is 20.8% . The country is off track to achieve the WHO-	<u>Lessons and Recommendations:</u> Ministry of Health stewardship and leadership is key. The high staff turnover in the Ministry, and an ineffective communication campaign	

Objective	Overall Rating	Indicator	Baseline/ Target	Status at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program instruments
				recommended rate of 70%. Given current vaccination rates, it is unlikely that the country will achieve a 28% vaccination rate by June 2023. Despite Ministry of Health's efforts to promote and encourage vaccination, demand for vaccines remained low throughout the vaccination campaign. Therefore, vaccination rate depends largely on the willingness of population to get vaccinated and depends mostly on factors outside the Bank's control.	around COVID vaccination, were major challenges in the sector. In the face of low capacity and delays in implementation by the MOH in-house capacity, it is important to have a dedicated PIU for project implementation, which should include adequate support for staff capacity building	
3.2: Support regional development	Partially Achieved	Indicator 19: Average percentage increase in crop productivity for WUAs	<i>Baseline:</i> zero (2017) <i>Target:</i> 10% (2023)	Partially Achieved The final values of this indicator ('average percentage increase in crop productivity.') for WUAs benefitting from interventions under the Agriculture Productivity and	<u>Lessons and Recommendations:</u> -Initiatives aimed at improving agricultural productivity in communities has widespread support among all stakeholders.	Completed: <ul style="list-style-type: none"> - Urban Development Project (FY16) (P151416) - Agriculture Productivity and Nutrition Improvement project (FY16) (P132754) Ongoing: IPF:

Objective	Overall Rating	Indicator	Baseline/ Target	Status at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program instruments
				Nutrition Improvement Project (APNIP) will be evaluated following the results of the harvest in November 2022. A final impact assessment survey report is expected to become available by mid-May 2023. The draft report includes preliminary estimates indicating an average 65% increase in crop productivity for selected crops in 2022 ¹³⁷ and an average 10% increase in 2021.	-Setting up digital platforms proved to be instrumental to receive feedback from the ground on the project issues during the pandemic and could be effectively used as an additional tool for citizen engagement.	<ul style="list-style-type: none"> – Regional Economic Development project (FY20) (P167428) – Second Regional Economic Development project (FY22) (P175587) – Third Village Investment project (FY15) (P146970) and AF (COVID-19) (FY21) (P174316) – CASA-1000 Community Support project – Kyrgyz Republic (FY18) (P163592) and AF COVID-19 (FY21) (P174285) – Climate Resilient Water Services Project (FY23) (P173734) <p>Trust Funds:</p> <ul style="list-style-type: none"> – National Water Resource Management project (FY14) (P144336) <p>Pipeline:</p> <p>IFC Advisory:</p> <ul style="list-style-type: none"> – Exploring advisory opportunities in agribusiness, and in financial intermediaries focusing in developing supply chain finance
		Indicator 20: Percentage of sampled beneficiaries (female/male) who report that investments in social infrastructure support post-	<i>Baseline:</i> 0 (2020) <i>Target:</i> 80% female/80% male (2023)	Achieved The percentage of respondents reporting that social infrastructure investments have helped meet their post-COVID-19 needs is 92% women and	<u>Lessons and Recommendations:</u> - Awareness raising and education activities should be prioritized early in the project implementation period, including and especially with stakeholders in the	

¹³⁷ These are preliminary estimates and are pending verification and acceptance by the Ministry of Agriculture.

Objective	Overall Rating	Indicator	Baseline/ Target	Status at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program instruments
		COVID-19 needs		93% men (under VIP-3). The percentage of respondents reporting that social infrastructure investments have helped meet their post-COVID-19 needs is 95% women and 91% men (under CASA-1000 CSP AF)	Parliament and beneficiaries.	
3.3: Enhance resilience to climate change and disaster risks	Achieved	Indicator 21: Percentage of population covered by improved emergency preparedness and response systems in the country	<i>Baseline:</i> 42% (2017) <i>Target:</i> 100% (2023)	Achieved As of [December] 2021, the actual value for population covered by improved emergency preparedness and response systems in the country was equal to 100% .	<u>Lessons and Recommendations:</u> The Ministry of Emergency Situations has gradually built-up strong capacity with Bank support. In addition to working with leadership, it is essential to work with key champions on the second and third levels; and parliament where relevant, to ensure outreach to and engagement with key stakeholders. Given that inter-ministerial coordination is weak, proactive outreach can insure better coordination between the	Completed: IPF: – Central Asia Hydrometeorology Modernization Project (FY18) (P120788) Ongoing: IPF: – Enhancing Resilience in Kyrgyzstan (FY18) (P162365); AF (FY20) (P172761); and AF2 (FY23) (P180365) ASA: – Note on contingent financing approaches in the event of a natural disaster

Objective	Overall Rating	Indicator	Baseline/ Target	Status at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program instruments
					ministry, wider Government and Parliament.	

Annex C: IDA Lending Program Planned (FY19-FY22) vs Actual (FY19-FY23)

CPF Lending Program FY19-FY22 (Planned) (US\$ million)			CPF Lending Program FY19-FY23 (Actual) (US\$ million)	
FY19				
CPF Area	Subtotal	104		104
1	Development Policy Operation	24	Kyrgyz Republic Economic Governance DPO (P163983)	24
3	Health Program for Results	20	Primary Health Care Quality Improvement Program (P167598)	20
3	Additional Financing for Central Asia Hydrometeorology project	5	Additional Financing for Central Asia Hydrometeorology project(P164780)*	5
2	Central Asia Road Links – Phase 3*	55	Third Phase of the Central Asia Regional Links Program (CARs-3). (P159220)*	55
FY20				
CPF Area	Subtotal	60		212.2
1	Development Policy Operation	40	[Dropped]	
1	Tax and Statistical Systems Modernization	TBD	Tax Administration and Statistical Systems Modernization project (P163711)	35
3	Local Integrated Development (Issyk-Kul)	20	Regional Economic Development project [Osh] (P167428)	60
3			Learning for the Future project (P170542)	50
3			Additional Financing for Enhancing Resilience in Kyrgyzstan (P172761)	55
3			Kyrgyz Republic – Emergency COVID-19 project (P173766)**	12.2
FY21				
CPF Area	Subtotal			125
2	Energy Sector Improvement project	TBD	[Slipped to FY22]	
3	Skills for a Smart and Prosperous Nation	TBD	[Delivered in FY20 – <i>Learning for the Future project</i>]	
3	Local Integrated Development (Osh-Jalalabad/Batken)	TBD	[Slipped to FY22]	
1			Emergency Support for MSMEs project (P174028)	50
3			CASA-1000 Community Support project (COVID-19) Additional Financing (P174285)*	21
3			Additional Financing for Third Village Investment project (COVID-19) (P174316)	17
3			Additional Financing for Integrated Dairy Productivity Improvement project (P174318)	17
3			Additional Financing for Kyrgyz Republic – Emergency COVID-19 project (P176054)	20
3			Social Protection Emergency Response and Delivery System project [US\$50 million] (P174072)***	

CPF Lending Program FY19-FY22 (Planned) (US\$ million)			CPF Lending Program FY19-FY23 (Actual) (US\$ million)	
FY22				
CPF Area	Subtotal			250
3			Climate Resilient Water Services project (P173734)	100
3	Local Integrated Development (Osh-Jalalabad/Batken)	TBD	Second Regional Economic Development [Batken] (P175587)	50
1			Electricity Sector Modernization and Sustainability project (P177871)	50
1			Additional Financing for MSME (P177871)	50
FY23				
CPF Area	Subtotal			60
3			Strengthening Social Assistance and Labor Market Programs (P179024)	30
3			Second Additional Financing for Enhancing Resilience in Kyrgyzstan (P180365)	30
1			Kyrgyz Renewable Energy Development Project (P178286)****	67.7
Total Lending FY19-22 (Planned)		164	Total Lending FY19-23 (Actual)	818.9

*Including regional IDA allocation.

** Project amount includes Fast Track COVID-19 Facility (US\$8.1 million) and IDA19 advance (US\$4.05 million).

***The project did not become effective as it was canceled as per client's request.

**** US\$40 million from IDA PBA and US\$27.7 from extra reallocations

Annex D: IFC Committed and Outstanding portfolio FY19-23

1. Kyrgyz Republic Historical Investment Program Commitments by Fiscal Year (as of April 30, 2023)

	FY18	FY19	FY20	FY21	FY22	FY23 YTD	FY18-FY23 YTD
Long Term Finance	8.0	4.5	0.0	9.0	2.5	12.5	36.5
of which IFC Own Account	-	4.5	0.0	9.0	2.5	12.5	28.5
of which Core Mobilization Short	8.0	0.0	0.0	0.0	0.0	-	8.0
Short Term Finance	-	-	-	-	-	-	-

2. Kyrgyz Republic Investment Portfolio by Industry Group (as of April 30, 2023)

Industry Group	FIG ¹	MAS ²	INR ³	CDF ⁴	Total
Committed Exposure	17.6	-	2.9	6.5	27.1
Portfolio Outstanding	11.4	-	0.8	3.5	15.7
of which Loan Outstanding	11.0	-	0.8	-	11.8
of which Equity Outstanding	0.4	-	-	3.5	3.8
Undisbursed	6.3	-	2.1	3.0	11.4
Non-Performing Loans (NPLs)	-	-	-	-	-
NPL Ratio (%)	0.0%	0.0%	0.0%	0.0%	0.0%

1. Financial Institutions Group, 2. Manufacturing, Agribusiness, and Services, 3. Infrastructure and Natural Resources, 4. Credit Delegation Framework

3. Top 5 Portfolio Clients by Committed Exposure in Kyrgyz Republic (as of April 30, 2023)

Client	Industry	Industry Group Sector	Committed Exposure	Portfolio Outstanding
Demir Kyrgyz Int	FIG	Financial Markets	9.6	4.6
SMEV Highland	CDF	Collective Investment Vehicles	6.5	3.5
SEF KICB	FIG	Financial Markets	3.2	3.2
ElCat	INR	Telecom, Media, and Technology	2.9	0.8
Elet-Capital	FIG	Financial Markets	2.5	1.2

Annex E: Progress on Citizen Engagement and Gender Priorities

Citizen Engagement

- 1. The Kyrgyz Republic has had the most open and democratic governments in the Central Asia region** and is a member of the Open Government Partnership (OGP). Its first OGP action plan contains 18 commitments across nine different thematic areas, ranging from open data to political financing and fiscal transparency. There is also the governments' new program, Digital Kyrgyzstan 2019–2023, which aims to leverage technological advances to improve economic competitiveness, living standards, and efficiency of the government. Promotion of open government, public accountability, and public engagement in decision-making processes are envisioned to be key pillars of this program, which can be considered the flagship project of the new leadership. The values and principles of the program are consistent with the priorities of the Kyrgyz Republic's broader strategic development programs. These include the National Strategy for Sustainable Development of the Kyrgyz Republic for 2018–2040. In terms of access to information, a recent assessment by the Centre for Law and Democracy and the Global Right to Information Rating found the Kyrgyz Republic's Law on Access to Information Held by State Bodies and Local Self-Government Bodies to be a relatively strong law, particularly in a region with generally underdeveloped right to access information. Despite the enabling legal frameworks, Transparency International's 2018 Corruption Perceptions Index ranked the Kyrgyz Republic 144 out of 180 countries assessed with score of 27 out of 100.¹³⁸ The 2018 UN E-Government Survey also rated the Kyrgyz Republic relatively low on its E-Government Development Index (ranked 91 out of 193 countries) and E-Participation Index (ranked 75 out of 193). Various reports attribute this to the fact that the country's pluralism has led to increasing polarization of society (Reporters without Borders, 2021), with impacts on the stability in the south. It has also resulted in a more challenging enabling environment for open journalism – despite freedoms far ahead of most countries in the ECA region.¹³⁹ At the local level, the legislative environment encourages citizens and civil society organizations (CSOs) to participate in village planning and public hearings, and this is implemented actively in the planning and budgeting calendar of the local self-governments (Aiyi Okmotus). Other community-based organizations (farmers groups, water users and forest committees, for instance) also function openly and actively, and are generally inclusive of the voice of women. In March 2020, the social distancing and travel restrictions imposed by the government during the COVID pandemic, as elsewhere, inevitably affected the traditional mechanisms of engagement, but this was short-lived – citizen engagement has largely continued in a large range of donor projects, and the crisis brought about innovative action.
- 2. In this mixed context, the country has maintained a strong record of citizen engagement (CE) in Bank-financed operations, building on a decade of experience of participatory village investment.** After establishing the first CE country roadmap in the ECA region in the latter years of the previous Country Partnership strategy (CPS, FY16), the current CPF (FY19-22) included a 4-step strategy which focused on supporting compliance, improving quality, intensifying the CE in priority areas, and taking steps to better track results.
- 3. Citizen engagement compliance has been strong throughout the CPF period.** Since FY19, all IPFs approved by the Board (15 projects¹⁴⁰ over the 4-year period), were compliant for the CE corporate requirements, including a citizen-oriented design and a beneficiary feedback indicator.¹⁴¹ Similarly, with regard to the third indicator of compliance with the corporate commitments (reporting credible progress three years after

¹³⁸ <https://www.transparency.org/en/cpi/2021/index/kgz>

¹³⁹ Reporters without Borders, Kyrgyz Republic, 2021.

¹⁴⁰ Excluding PforR and DPO.

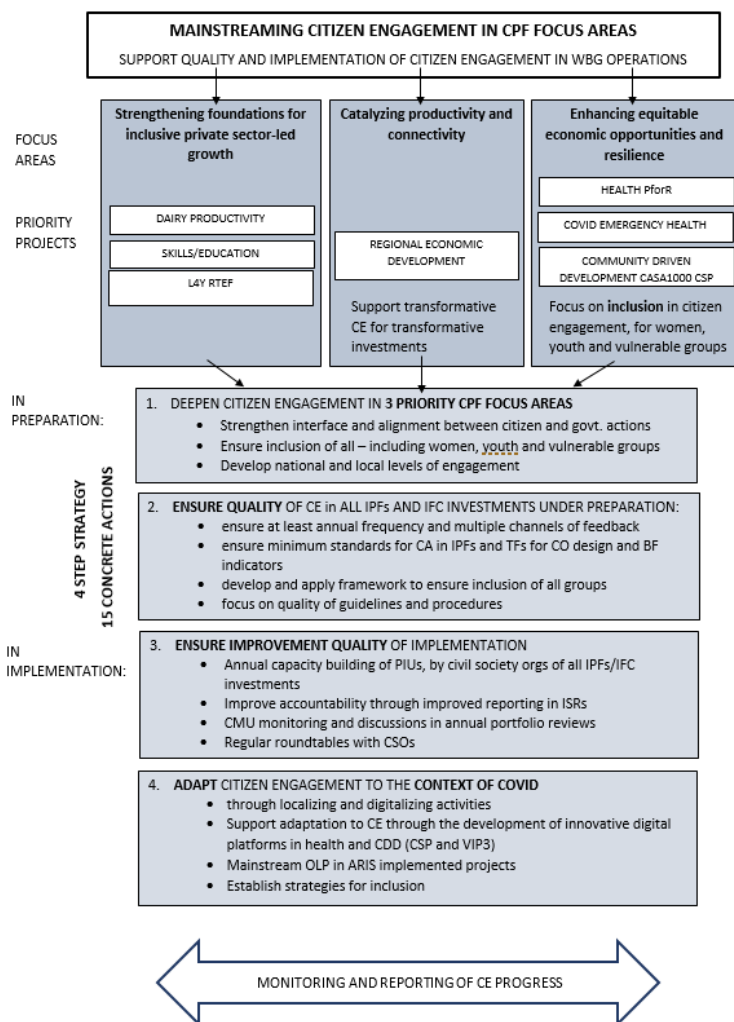
¹⁴¹ The COVID-19 Emergency Response Project was exempt from these requirements at the time of Board Approval – it was not compliant. However, the citizen-oriented design was integrated later and is now of good quality.

Board Approval, and annually thereafter), Kyrgyz Republic reached 100 percent compliance in FY19, comparable with other countries in the region against a global average of 98% percent. Additionally, Kyrgyz Republic ranks first in the region in terms of the quality of citizen engagement included in project design. The updated review of CE quality in IPFs against the ECA CE Quality Index,¹⁴² indicates that all projects approved by the Board in the CPF period, have met all quality criteria – providing best practice for other countries in the region in a range of sectors.

4. **The implementation of the approved Citizen Engagement Country Roadmap (FY19-22) has been assessed for reporting in this PLR, with actions taken in most of the areas as planned.** Of the 11 concrete actions identified for the mainstreaming of citizen engagement in the CPF focus areas, a number of actions are complete. As noted above, compliance has been strong, minimum standards have been far surpassed, as measured by the CE quality index, with most projects including annual frequency and multiple channels of feedback, showing attention to inclusion of all groups. Reporting by PIUs and task teams (in Implementation Status and Results Reports) has also vastly improved with the greater focus on procedures in operations manuals.
5. **In the focus areas, a number of priority projects have seen exemplary citizen engagement.** Efforts to strengthen CE in private sector development have moved forward with the Livelihoods for Youth (L4Y) project which includes youth in a range of participatory processes in the CE cycle (including needs assessment and decision-making), and this will continue in the future as youth work together with business partners and community organizations to build local enterprises. The pilot for community engagement in schools has empowered 360 Boards of Trustees to support more systematic participation and governance of school, with the project being extended to provide more time for institutionalization after a request by the Ministry of Education. The Regional Economic Development project has included a robust platform for engagement which will facilitate further efforts in relation to the private sector by integrating participatory monitoring and a participatory urban design through place-making, which is a collaborative, community-driven approach which includes citizens and the local community into urban design activities of the investments.
6. **The transformational platform for community driven development (CDD) is now well under implementation, and new efforts are emerging in the health sector.** The CASA1000-Community Support Project (CSP) included a youth-led model of CDD at design, along with a continuous set of citizen engagement and social accountability activities throughout the project cycle. The start of the project coincided with the restrictions imposed by the government in response to the COVID-19 pandemic, and the project has led the country in its efforts to produce a robust and resilient approach to citizen engagement through the blending (localization, digitalization and facilitation) of the CE activities. The online platform developed over the past 18 months has seen an unprecedented response with the active engagement of over 153,000 community members in the target oblasts in the south of the country in community needs assessment and prioritization activities in over 300 villages. Nearly 148,000 (96.4 percent) have provided input (30 percent participation in Osh; 20 percent overall). The online platform is currently working to carry out participatory monitoring through a community scorecard tool and introduce a climate change dashboard to report transparently on climate co-benefits. While CE activity had been slow in the health sector, the changing environment created by the COVID-19 pandemic and the need to reach out to all members of the public has resulted in a similar online platform being developed under the COVID-19 Emergency Health project.
7. **The Citizen Engagement Country Roadmap has been updated.** To accommodate (i) the significant changes

¹⁴² The ECA CE Quality Index measures quality of the CE at design against four objective criteria on a 1-3 scale: (1) openness (unrestricted feedback); (2) depth of engagement; (3) opportunity (multiple channels for feedback); and (4) frequency of feedback.

in the portfolio during the CPF period to date, (ii) the gaps identified in the implementation to date, and (iii) the new context and norms for outreach and engagement in the context of the COVID-19 pandemic, the CPF CE Country Roadmap has been updated for the remainder of the CPF period. The revisions set out in the figure below include a greater focus on the CE requirements of a post-pandemic context and the realignment to reflect the portfolio at the PLR stage.



Interventions to Secure Gender Parity

- The Kyrgyz Republic ranked 82 out of 162 countries on the *Gender Inequality Index* reflecting gender gaps in jobs, voice and agency, assets, representation in state and municipal bodies, and human endowments. Similarly, disappointing are indicators on participation and segregation in the labor force, pensions, parenthood (laws affecting women’s ability to work after having children), and equal pay; moreover, poor access to early childhood education (ECE) services reduces labor supply. Disparities in women’s voice and agency can be seen when negotiating with private service providers, water users’ associations, and pasture management associations, women often end up with less favorable terms than men, with consequences for their access to

irrigation water supply and equipment for farming and harvesting, and ability to lease larger plots of land.¹⁴³ Gender-based violence is highly prevalent. The economic and social burdens of the pandemic crisis are being disproportionately borne by women.

9. **A key gender gap in the Kyrgyz Republic related to women's labor force participation.** In general, 38 per cent of economically active women quit their jobs due to personal family reasons, with care taking responsibilities being one of the main reasons. Although equal wages for equal work is guaranteed by law, there is a persistent gender wage gap. The gap between the average wages of women and men is significant, as women earn about 20–30 percent less than men due to their predominance in low paid sectors, and also as result of working part time due to childcare responsibilities. In the female-dominated sectors, mainly the services sector, wages are approximately 2.5 times lower than in the "male" ones and account for 86 percent of the minimum consumer budget. Industries with a high concentration of female labor resources are mainly financed from the state budget. At the same time, gender wage gaps exist in almost all sectors. The gender wage gap will be further assessed in the upcoming FY.
10. **Employment in Kyrgyzstan is characterized by a high degree of informality.** Large-scale informal sector employment often leaves women without any legal protection, trapping them in low-paying, unsafe working conditions and without access to social benefits such as a pension, medical insurance or paid maternity and sick leave.
11. **Although women engage in paid work, they still do most of the housework.** The burden of unpaid work has increased due to low access to free or subsidized childcare and poor provision of early childhood education. This has negatively affected women's education and employment opportunities, mainly at childbearing age. Especially in rural areas, where this support is even lower, this means that women often remain at home and are dependent on their working husbands. Climate change and environmental degradation, combined with already inadequate infrastructure in rural areas, have led to water shortages, which increases women's burden of water collection and adds to their domestic workload.
12. **Gender-based violence is a major risk in the country.** According to DHS, (i) about one in four women and girls aged 15-49 who are or have ever been married, reported having experienced domestic violence and (ii) 50 percent of men and 34 percent of women agree that a husband can hit his wife. The results of the Rapid Gender Assessment (RGA) for the Kyrgyz Republic showed that women, especially from vulnerable groups who face multiple discrimination, were much more affected by the impact of the Covid-19 pandemic than men: an increase in the burden of doing unpaid work and caring for family members and loss of daily earnings has worsened the situation of many women. In the Kyrgyz Republic, three-quarters (75 percent) of women shifted to work from home (the highest among the countries surveyed in the region by UN Women), while 43 percent of women reduced their working hours, 69 percent increased time spent on care work and 80% spent more time on unpaid domestic work, significantly higher than men.
13. **Bank support to women over the CPF period thus far, covering the dimensions of jobs, assets, voice and agency, and human endowment, was further recalibrated and enhanced to reduce pandemic effects by sharpening the focus on unemployment, health, and education.** Community driven development operations (*Third Village Investment Project* (VIP-3) and *Additional Financing VIP-3, CASA1000 Community Support Project* (CASA-CSP) and the *Additional Financing CASA-CSP* empower women in community-level decision-making bodies. The post-pandemic Additional Financing projects address female unemployment through tailored livelihoods support.

¹⁴³ United Nations Women. 2019. Beijing+25: National-level review on the implementation of the Beijing Declaration and Platform for Action. Bishkek: Kyrgyz Republic.

Projects in tax administration and emergency MSME support address occupational segregation and access to finance. In education and health service delivery, the *Learning for the Future Project* supports equitable access to preschool and trains teachers to integrate children with special education needs; the *Primary Health Care Quality Improvement Program* supports pregnant women and prenatal care services.

14. Notable examples of gender-related activities and results include the following:

- a. The **Agricultural Productivity and Nutrition Improvement Project** supports the establishment of self-help groups to improve household nutrition through domestic gardening. 1,340 self-help groups have been established in 234 villages, consisting of 11,000 (9,939 women, or 90%) who have adopted methods to improve household nutrition (as of June 2023). 6,715 female water users were provided with irrigation and drainage services (exceeding the end target of 2,600).
- b. The **Third Village Investment Project** requires that at least 50 percent of the beneficiaries of village investment sub-projects are women, and 91 percent of subproject investments that have been prioritized in women's groups. 87 percent of sampled women and 91 percent of sampled men report that community investments funded by the project reflect their priority needs.
- c. The **CASA-1000 Community Support Project** aims to empower women by: (i) organizing separate village consultations with women and men on their respective needs and priorities; (ii) tracking subprojects which are women's priorities and (iii) ensuring that women working on subprojects receive equal pay for equal work. As of November 2021, 84 percent of subproject investments were prioritized in women's groups, and all target 76 communities reported on conducting trainings that equally prepare young women and men for the role of community facilitators and mobilizers.
- d. The **Primary Health Care Quality Improvement Program** includes several activities that particularly target women, as well as identify a notable gender gap in the usage of healthcare services. The first PDO of the Program is to increase testing and analyses among pregnant women, and progress on this indicator is steadily monitored. Further, the Program separately monitors men and women's access to healthcare services and undertakes activities to raise providers' awareness of the gender gap, including gender sensitive training of health care staff to be introduced as part an online training platform.
- e. The **Sustainable Rural Water Supply and Sanitation Project** aims to improve access to and quality of water supply and sanitation services in the Participating Rural Communities. One of the project's gender-disaggregated indicator measures training outputs related to the sanitation and hygiene promotion and education activities, both at schools / kindergartens and within the project communities. Reporting on this indicator is progressing well, and 55%-60% of beneficiaries trained to improve hygiene behavior and sanitation practices have been women.

15. There is a clear need for stronger strategic communication and advocacy by the WBG to strengthen government commitment to the gender agenda; public awareness of the huge economic and social losses associated with gender discrimination is low. Gender gaps related to labor market participation and wages, as well as the increasing risk of gender-based violence need to be highlighted and addressed.

Annex 3: Selected Indicators of Bank Portfolio Performance and Management

As of Date 03/20/2023

Indicator	FY20	FY21	FY22	FY23
Portfolio Assessment				
Number of Projects Under Implementation ^a	14.0	13.0	16.0	15.0
Average Implementation Period (years) ^b	3.0	3.6	3.5	3.5
Percent of Problem Projects by Number ^{a, c}	14.3	7.7	25.0	6.7
Percent of Problem Projects by Amount ^{a, c}	5.1	4.0	11.6	2.7
Percent of Projects at Risk by Number ^{a, d}	14.3	7.7	25.0	6.7
Percent of Projects at Risk by Amount ^{a, d}	5.1	4.0	11.6	2.7
Disbursement Ratio (%) ^e	16.7	11.1	14.6	12.6
Portfolio Management				
CPPR during the year (yes/no)				
Supervision Resources (total US\$)				
Average Supervision (US\$/project)				

Memorandum Item	Since FY80	Last Five FYs
Proj Eval by IEG by Number	64	8
Proj Eval by IEG by Amt (US\$ millions)	1,238.0	104.5
% of IEG Projects Rated U or HU by Number	25.0	25.0
% of IEG Projects Rated U or HU by Amt	19.8	29.9

a. As shown in the Annual Report on Portfolio Performance (except for current FY).

b. Average age of projects in the Bank's country portfolio.

c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).

d. As defined under the Portfolio Improvement Program.

e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.

* All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.

Annex 4: Operations Portfolio (IBRD/IDA and Grants)

As of 02/28/2023

Closed Projects 71

IBRD/IDA*

Total Disbursed (Active)	257.20
of which has been repaid(1)	0.58
Total Disbursed (Closed)	1,280.88
of which has been repaid	330.71
Total Disbursed (Active + Closed)	1,538.07
of which has been repaid	331.29
Total Undisbursed (Active)	539.95
Total Undisbursed (Closed)	0.16
Total Undisbursed (Active + Closed)	540.11

Annex 5: Statement of IFC's Held and Disbursed Portfolio



Statement of IFC's Committed and Outstanding Portfolio

Run Date : May 15, 2023

Run Time: 12:54:29 PM

Page : 1 of 1

(Amounts in USD Millions)

Commitment Fiscal Year	Institution Short Name	LN Cmtd - IFC	LN Repayment - IFC	ET Cmtd - IFC	QL + QE Cmtd - IFC	GT Cmtd - IFC	RM Cmtd - IFC	ALL Cmtd - IFC	ALL Cmtd - Part	LN Out - IFC	ET Out - IFC	QL + QE Out - IFC	GT Out - IFC	RM Out - IFC	ALL Out - IFC	ALL Out - Part
1999/2009/2011/2004/2012/2023/1997	Demir Kyrgyz Int	9.60	0	0	0	0	0	9.60	0	4.60	0	0	0	0	4.60	0
2009/2011/2014/2007/2001/2021/2005	SEF KICB	2.88	21.43	0.35	0	0	0	3.23	0	2.88	0.35	0	0	0	3.23	0
2019	SMEV Highland	0	0	6.06	0	0	0	6.06	0	0	4.03	0	0	0	4.03	0
2021	ElCat	2.91	0.09	0	0	0	0	2.91	0	0.77	0	0	0	0	0.77	0
2022	Baylik Finance	2.34	0	0	0	0	0	2.34	0	2.34	0	0	0	0	2.34	0
2023	Elet-Capital	2.45	0	0	0	0	0	2.45	0	1.20	0	0	0	0	1.20	0
Grand Total:		20.18	21.52	6.41	0	0	0	26.59	0	11.79	4.38	0	0	0	16.17	0

Annex 6: MIGA's Guarantee Portfolio

(As of June 30, 2023)

Project Name	Effective Date	Expiry Date	Investor	Sector	Gross Exposure (US\$ million)
IWS Smart Farm	6/16/2023	4/03/2029	Agricultural Corporation in Water Solution, Inc	Agribusiness	3.87
Total					3.87