

Country Assistance  
Program Evaluation

# Kyrgyz Republic

## Evolving Transition to a Market Economy



Independent  
Evaluation



Country Assistance Program Evaluation  
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# Kyrgyz Republic Country Assistance Program Evaluation: Evolving Transition to a Market Economy

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- Notes: (i) The fiscal year (FY) of the Government ends on 31 December.  
(ii) In this report, "\$" refers to US dollars

# Abbreviations

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
ANR	–	agriculture and natural resources
CAPE	–	country assistance program evaluation
CAREC	–	Central Asia Regional Economic Cooperation
CBA	–	cross-border agreement
CDF	–	Comprehensive Development Framework
CDS	–	Country Development Strategy
CIS	–	Commonwealth of Independent States
COBP	–	country operations business plan
COS	–	country operational strategy
CPS	–	country partnership strategy
CSP	–	country strategy and program
DFID	–	Department for International Development
DMF	–	design and monitoring framework
EA	–	executing agency
EBRD	–	European Bank for Reconstruction and Development
ECE	–	early childhood education
EIRR	–	economic internal rate of return
EMIS	–	education management information system
FSU	–	former Soviet Union
GDP	–	gross domestic product
IED	–	Independent Evaluation Department
IFC	–	International Finance Corporation
IMF	–	International Monetary Fund
IsDB	–	Islamic Development Bank
JCSS	–	Joint Country Support Strategy
JEA	–	Joint Economic Assessment
JFPR	–	Japan Fund for Poverty Reduction
JICA	–	Japan International Cooperation Agency
KfW	–	Kreditanstalt fuer Wiederaufbau (German Development Bank)
MDG	–	Millennium Development Goal
MOH	–	Ministry of Health
MOTC	–	Ministry of Transport and Communication
MTBF	–	medium-term budget framework
NPRS	–	National Poverty Reduction Strategy
O&M	–	operation and maintenance
OAI	–	Office of Anti-Corruption and Integrity
PCR	–	project/program completion report
PIP	–	public investment program
PIU	–	project implementation unit

PMU	–	project management unit
PPP	–	public–private partnership
PRC	–	People’s Republic of China
PSD	–	private sector development
PSM	–	public sector management
SAADP	–	Southern Area Agriculture Development Project
SME	–	small and medium enterprises
SOE	–	state-owned enterprise
TA	–	technical assistance
UN	–	United Nations
UNDP	–	United Nations Development Programme
WSS	–	water supply and sanitation

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# Preface

The Kyrgyz Republic proclaimed its independence from the former Soviet Union in 1991 and became a member of the Asian Development Bank (ADB) in 1994. Soon after independence, the government adopted a strategy to transform its command economy into a well-functioning market economy. There has been progress overall but it has lagged notably in some important areas.

This country assistance program evaluation assesses ADB's country strategies and programs to support the Kyrgyz Republic from 1994 until 2010, which is the end of the last country strategy. The evaluation rates ADB's overall performance *successful* as ADB's three country strategies during the evaluation period (1994–2010) identified the right objectives consistent with ADB's corporate strategies and with the government's priorities in addressing the country's major constraints. However, resources were spread too thinly across many sectors without sufficient intersector linkages to reinforce the achievement of cross-sectoral outcomes and impacts.

ADB's country programs have contributed positively to addressing the country's three major constraints and natural disasters:

- (i) improving infrastructure and connectivity through long-term support in regional road networks and trade facilitation, which contributed to increased economic growth, regional trade, and employment and income among roadside households; however, attention to road maintenance was inadequate;
- (ii) improving capacity to deliver public services to enhance inclusiveness of growth by increasing opportunities in productive employment, and access to market and other social services (education, health, and agriculture); however, support for health was too small to generate country-wide impacts;
- (iii) improving governance through support in finance, private sector development, and public sector management, with good results in improving the functioning of the financial sector and establishing a basic budget law; however, there was inadequate attention to the sequencing of reforms; and
- (iv) responding to natural disasters through some quick disbursing post-disaster projects; however, there was only one project on disaster risk mitigation.

These results of ADB support, combined with those from other partners, have contributed to the country's continuing transition to a market economy, and development as a whole. Over the past 15 years, the country has made progress in achieving moderately high economic growth rates averaging 4.6% per annum. Poverty incidence (based on a national poverty line) decreased from 50% in 2003 to 34% in 2010. But progress has been highly mixed in achieving the non-income Millennium Development Goals. The evaluation recommends that the new country partnership strategy focus on sectors that will further address the country's major constraints and make growth far more inclusive, while addressing the enormous risks connected with the rising incidence of natural disasters through climate change adaptation and related environmental and social measures.



Vinod Thomas  
Director General  
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# Executive Summary

This country assistance program evaluation (CAPE) assesses the country strategies and assistance programs of the Asian Development Bank (ADB) for the Kyrgyz Republic from 1994, when it first became an ADB's developing member country, until 2010, the end of ADB's 2007–2010 Joint Country Support Strategy to the Kyrgyz Republic. The emphasis is on more recent support. This is the first CAPE for the Kyrgyz Republic that the Independent Evaluation Department (IED) has prepared. The objectives include both providing accountability for results achieved and learning forward-looking lessons.

## Country Context and Major Constraints

**Political Situation: Improved but Remaining Fragile.** Soon after independence in 1991, the Kyrgyz government adopted a strategy to transform the economy from being command driven to market driven by introducing a liberal trade regime, eliminating most capital controls, ending most price subsidies, and introducing its own currency, the som, in May 1993. However, frequent changes in the government and internal disputes have disrupted the implementation of these reforms. In March 2005, the Tulip Revolution ousted the president, who had been in power since independence. Kurmanbek Bakiyev was elected president in July 2005, but was forced to resign in April 2010 following popular protests against poor governance. The situation was aggravated by ethnic violence in June 2010 in the southern cities of Osh and Jalal-Abad, costing hundreds of lives and pushing thousands to flee to neighboring countries. An interim government took control of the country until the first peaceful power transformation in post-soviet Central Asia took place in October 2011. The new government approved two action plans in January 2012 focused on fighting corruption.

**Economic Development: Moderately High Growth despite Shocks and Lapses.** Since its embarkation on transition to a market economy in 1991, the Kyrgyz economy registered a sharp contraction until the mid-1990s, when it started to gain moderately high but volatile gross domestic product (GDP) growth rates, averaging 5.6% per annum in 1996–2000 and 4.3% during 2001–2011. The 2008 global financial turmoil adversely affected GDP growth in 2009. The 2005 revolution and internal disturbances in April and June 2010 resulted in negative growth in those years. Growth rebounded in 2011 at 5.7%, due mainly to high remittances of about 25% of GDP (of \$5.9 billion) from the country's large number of labor migrants, who accounted for about 29% of the 2.5 million economically active population; and indirectly to the high global price of gold, which is one of the country's major exports and comes from the Kumtor gold mine. The Kyrgyz Republic was the first Commonwealth of Independent States country to be accepted as a member of the World Trade Organization in 1998. This enabled it to reexport goods from the People's Republic of China (PRC) to some neighboring countries at higher prices. Especially the high remittances contributed to lowering the current account deficit from 13.7% of GDP in 2008 to 6.4% in 2011 and became the country's most important sources of foreign exchange. The recent improvement in tax collection, with tax income rising by 33% in 2011, led to a decrease in the fiscal deficit from 6.1% in 2010 to 4.7% in 2011. Average consumer price index remained single digit except during the 2008 global economic turmoil (24.5%) and the 2011 high global food prices (16.6%).

**Social Development: More Inclusive Growth Needed.** The Kyrgyz Republic's GDP was \$5.9 billion in 2011 and the population was 5.6 million; GDP per capita was a little over \$1,000. About 40% of the GDP was accounted for by the agriculture sector in the early 1990s, but reduced to 20% in 2011; while the services sector increased from about 20% to half of the GDP during the same period. However, about two-thirds of the population lives in rural areas. Progress in social development has been highly uneven. Over the past 15 years, there was good progress in the reduction in poverty incidence (based on a national poverty line) from 50% in 2003 to 43% in 2005 and 34% in 2010. Regional disparities have been high, with a far higher poverty incidence in rural areas compared with urban areas (40% vs. 24% in 2010). Extreme poverty has been reduced from 9% to 5% (2006–2010), with 6% in rural areas and 4% in urban areas in 2010. Income inequality, as measured by the Gini coefficient, declined moderately from 0.45 to 0.37 (2000–2010), while the human development index increased slightly from 0.58 to 0.61, ranking the country 126<sup>th</sup> out of 187. While the Millenium Development Goal (MDG) indicators for universal basic education, environmental sustainability, and global partnership are likely to be achieved by 2015, those for gender equality, infant mortality, child mortality, and maternal mortality are not.

**Major Constraints: Transition Incomplete.** The Kyrgyz Republic made considerable headway in its transition from a centrally planned to a market-oriented system in the 1990s by largely liberalizing prices, trade, and the foreign exchange regime; by privatizing many state-owned enterprises (SOEs); and by implementing various reforms. However, a number of major constraints and risks remain:

- (i) **Infrastructure Constraints.** Key infrastructure constraints include unreliability of power supply and geographical isolation. Being a landlocked and mountainous country with a small population dispersed over a vast area, hence a small domestic market, the country has to overcome obstacles posed by the difficult topography and isolation, aggravated by the deterioration of infrastructure after the breakup of the former Soviet Union (FSU). These caused high infrastructure costs. Coupled with restrictive border-crossing procedures, trade had become difficult. Recognizing the importance of road rehabilitation and regional cooperation for rapid growth, Kyrgyz Republic became a member of several regional cooperation programs.
- (ii) **Fiscal and Institutional Capacity Constraints to Inclusiveness.** Insufficient fiscal and institutional capacity resulted in inadequate delivery of basic social services, which is a constraint to inclusiveness in terms of difficulties to enhance equality of opportunities for employment, higher productivity, and access to market and other social services. The country's official unemployment rate has been 8% over the past 5 years, whereas youth unemployment rate has been 14%. Unemployment would have been much higher had there not been a large emigration of about 800,000 to neighboring countries, working mainly in low qualifying jobs and remitting \$1.5 billion (25% of GDP) in 2011. Foreign direct investment (FDI) has more than doubled in the past 5 years to about \$459 million (8% of GDP); but is low relative to former FSU countries.
- (iii) **Governance Constraints.** With a long legacy of central control, the democratic rule of law has only recently begun to take hold. While the

country made good progress toward a market economy in the 1990s, the transition slowed markedly during the past decade due to weak governance. There remain major transition gaps, particularly in the role and corporate governance of the many SOEs, difficulties in cross-border trading, and weak procurement and public financial management systems.

- (iv) **Risks of Frequent Natural Disasters and Other Risks.** Annually, the country experiences about 10 earthquakes, 10–100 landslides, 100 floods, and 60 glacier lake outbursts. Many kinds of hazards (e.g., landslides and floods resulting largely from deforestation) are sufficiently localized to undertake preventive measures, except for earthquakes, which will require earthquake-proof infrastructure. Other risks include internal conflicts, particularly in the south, where most of the ethnic minorities live, which could erupt into social unrest; and vulnerability to external economic destabilization such as the 2008 global financial crisis.

## ADB's Country Strategies and Assistance Programs

The Kyrgyz Republic joined ADB on 13 April 1994. Since then, there have been three ADB country strategies. The first one was the country operational strategy (COS) finalized in December 1996, which was also used to guide the country assistance programs for 2000–2002 and 2001–2003. The strategic pillars/objectives of the 1996–2003 COS were to (i) support reforms, (ii) encourage private sector-led growth, and (iii) foster human/social development. The main focus of ADB's initial country assistance program was to help establish a market economy through project and program/policy-based loans and advisory technical assistance (ADTA) in agriculture and natural resources (ANR), finance and private sector development (PSD), public sector management (PSM), transport, multisector, and social sectors (health and education).

ADB's resident mission in the Kyrgyz Republic was established in April 2000. This coincided with the preparation of ADB's second country strategy, namely the country strategy and program (CSP), which became operational in 2004 and was also used to guide the CSP updates for 2002–2004 and 2006–2008. The overall strategic pillar/objective of the 2004–2006 CSP was to reduce poverty through (i) promoting private sector-led growth, and (ii) selective support of human development. The corresponding country assistance program was more focused in this period, especially on transport, finance/PSD, and the social sectors.

ADB's third country strategy was the joint country support strategy (JCSS) for 2007–2010, prepared with several bilateral and multilateral development partners. The JCSS was broad-ranging and aligned with the government's country development strategy. The JCSS strategic pillars/objectives were to (i) contribute to robust and sustainable economic growth, and (ii) attain poverty reduction and other MDGs. Within the JCSS, ADB's country assistance program was to be focused on transport and communications, education, energy, with some cross-cutting themes and standalone ADTA mainly in PSM.

ADB and the World Bank have been the biggest multilateral partners. Over the past 5 years (2007–2011), 29% of cumulative disbursements of loans and grants combined were accounted for by the World Bank and 25% by ADB. For loans, ADB accounted for 21% and the World Bank for 12%. For loans and grants combined, ADB's role has been the largest in transport (68% vs. 14% by the World Bank; see also the

map) and education (47% vs. 29% by the World Bank), and the World Bank's role the largest in energy (51% vs. 9% by ADB) and health (37% vs. 6% by ADB).

## CAPE Coverage and Approach

The CAPE covers ADB's three country strategies (i.e., the 1996–2003 COS, the 2004–2006 CSP, and the 2007–2010 JCSS) and their assistance programs, including 49 project and program/policy-based loans and grants (31 loans from Asian Development Fund [ADF] resources, 13 ADF grants, and 5 Japan Fund for Poverty Reduction grants), totaling about 1.0 billion; and 52 ADTA grants, totaling \$28.2 million, approved during 1994–2010. The CAPE approach is to assess the performance of ADB support in relation to (i) the country's major constraints and transition process, linked to ADB's CSP objectives (pillars); and (ii) the six evaluation criteria in terms of integrated sector assessment.

## Performance of ADB Support in Achieving the Country Strategy Objectives

The CAPE assesses the performance of ADB's country strategies and programs for the Kyrgyz Republic during the three periods combined (1994–2010) as *successful*. There was *satisfactory* strategic positioning of the three country strategies (i.e., doing the right things) as they generally (i) identified the right strategic pillars/objectives in each of the three periods—highly consistent with the country's development challenges, the government's strategies/plans, and ADB's corporate strategies in the respective periods; (ii) focused more on key sectors that generally performed well (e.g., transport, which was the largest sector, accounting for about 30% of the total support; finance/PSD; and education), while coordinating closely with other development partners to focus on other sectors to increase synergies, avoid duplicative efforts, and reduce transaction costs to the country; and (iii) provided a series of long-term continuity of support, such as in the rehabilitation of road network, for greater contributions to impacts.

However, there were important weaknesses in the design of the country strategies. While more resources were allocated to the key sectors that generally performed well, they were also spread thinly into many sectors/subsectors, rather than creating sufficient linkages among the key sectors to mutually reinforce achievement of higher cross-sectoral impacts for more inclusive growth. Sectors like rural water supply and sanitation (WSS) did not perform well, while others like health performed better but with too small support to contribute meaningfully to country-wide development impacts, including the MDGs. Despite such drawbacks, overall ADB support programs have been *satisfactory* in achieving sector outcomes and contributions to the country's development impacts (i.e., doing things right) by helping (i) address some major constraints; and (ii) facilitate the country's transition, which contributed to achieving ADB's CSP objectives (pillars), although their sustainability in the long run needs more attention.

The CAPE assesses the performance of ADB support in addressing the country's major constraints and risks as *satisfactory*, but with some shortcomings, as follows:

- (i) **Improving Infrastructure and Connectivity.** With ADB support for rehabilitation of roads, average travel times have been substantially reduced for the Bishkek-Osh road, Bishkek-Almaty road, and Southern

Transport Corridor road, thus helping connect people within the country and region as well as generating regional trade and economic activities along the roadsides. The Bishkek-Osh road reduced the isolation of the south, where many ethnic minorities live. Rapid growth and income generated from transit trade or reexport of goods from the PRC to neighboring countries would not have been possible without the ADB-supported transport corridors. However, sustainable maintenance of the road network was not given sufficient attention. While the government's road maintenance funding increased substantially over the past 5 years, it is insufficient, as it has to also repair damage caused by natural disasters.

- (ii) **Improving Institutional Capacity to Deliver Public Services to Enhance Inclusiveness.** ADB support in all sectors had components to develop institutional capacity to improve delivery of public services. In education and health, improved institutional capacity in management has helped improve enrolment and the quality of basic education and reduce infant mortality in project areas, though not on a large scale due to the small amount of support. With support in ANR and a series of transport projects, a large number of households obtained more access to market and employment opportunities through income generation activities, particularly along the roadsides. In PSM and rural WSS, institutional capacity development was not given sufficient prior attention, hence there was weak government ownership of institutional reforms. This, combined with constraints in financial and human resources tended to limit the achievement of sector outcomes and contribution to impacts. To enhance inclusiveness, ADB also provided a *Vocational Education and Skills Development Project*, which is still ongoing, aimed at increasing productivity and employment opportunities, with already doubled enrolment so far.
- (iii) **Improving Governance.** ADB has attempted to foster good governance, both through support for PSM and corporate governance, and in all sectors. There have been some positive outcomes in terms of reducing the state's role in the productive sectors, establishing a basic budget law and procurement procedures, and improving the soundness and oversight of the financial sector. However, project designs in several cases did not accord sufficient attention to the prerequisites for corporate governance reforms, to the appropriate timing of introducing deposit insurance and fostering capital markets, to the government's absorptive capacity to mount complex reforms in PSM, and to the capacity of executing agencies to transparently implement projects in rural WSS. In other words, project designs were overambitious and poorly sequenced in several cases, particularly in rural WSS, where government ownership and accountability have been lacking. One ongoing rural project was found by ADB's Office of Anti-Corruption and Integrity (OAI) to have experienced serious irregularities during its implementation (i.e., procurement, financial management, and quality of civil works and goods) and was suspended.
- (iv) **Responding to Frequent Natural Disasters and Other Emergencies.** ADB has been responsive to the country's external and internal emergencies. First, ADB provided support in 1994 to help mitigate the fiscal effects of the collapse of the FSU. ADB also responded quickly to the damage



resulting from internal unrest and natural disasters through a series of emergency support. It also provided one disaster risk mitigation project to help reduce the vulnerability of the poor to natural disasters, which was found to be successful as it benefited at least 6,000 people and 60 organizations; its methodology in the risk assessment studies and plans was used for the preparation of the Emergency Defence Law; and its pilot methodology was used by the pilot communities to prepare more mitigation proposals submitted for financing by other agencies and replicated in other communities. However, since the country is prone to various kinds of natural disasters, more disaster preparedness support like this or support related to climate change adaptation would be useful to reduce the risks involved.

ADB's three country strategies over the period had similar strategic objectives (pillars), which can be combined as contributing to (i) achieving private sector-led, sustainable growth; and (ii) attaining poverty reduction and other MDGs. Since ADB support over the entire CAPE period was found to help address the country's major constraints to a satisfactory extent, it was found to be *satisfactory* in helping facilitate the country's transition, as assessed below under the two CSP objectives:

- (i) **CSP Objective 1: Contributing to Private Sector-led, Sustainable Growth.** The CAPE assesses ADB's contribution to the achievement of this CSP objective as *satisfactory*. Although the Kyrgyz Republic has not yet entered a highly sustainable growth path, the average growth achieved over the past 15 years of 4.6% is considered moderately high in view of a series of major constraints and internal and external disturbances faced by the country. ADB's series of long-term support, particularly in regional transport projects and finance/PSD programs, helped contribute to the country's achievement of some development impacts which, in turn, could be linked directly/indirectly to the country's achievement of moderately high economic growth as detailed in the main text and in Table A8.4 (Appendix 8).
- (ii) **CSP Objective 2: Contributing to Poverty Reduction and Other MDGs.** The CAPE assesses ADB's contribution to the achievement of this CSP objective as *satisfactory* (borderline) due to two reasons. The first is that while the country has achieved a good progress in poverty reduction from 50% in 2003 to 34% in 2010, there have been high regional disparities and slower progress in achieving non-income MDGs. The second reason is that the amount of ADB support in some MDG-related areas has not been large enough. While ADB support in the health sector had satisfactory impacts, they were mostly limited to project areas and insufficient to contribute significantly to the country level's MDGs although some project activities have been scaled up by the government or other partners. As for ADB's road sector projects, their impacts on increasing employment and reducing poverty have been confined mainly to roadside households, and have not necessarily manifested in raising skills/productivity. However, these impacts can be linked to the country's progress in poverty reduction and some non-income MDGs as detailed in the main text and in Table A8.4 (Appendix 8).

## Performance of ADB Support under the Six Evaluation Criteria (Integrated Sector Assessment)

The CAPE also assesses the performance of ADB's country strategies and programs to the Kyrgyz Republic (during 1994–2010) in the key sectors combined under six evaluation criteria—strategic positioning, program relevance, efficiency, effectiveness, sustainability, and development impacts. The overall performance is rated *successful*. The strategic positioning of ADB's country strategies was *satisfactory*—while the design of ADB's country strategies was relevant/responsive to the country's needs and to the government's and ADB's corporate strategies (with appropriate modalities and close coordination with other development partners to divide responsibilities and increase synergies) and more resources were focused on the sectors that generally performed well, they were also spread thinly across many sectors without sufficient intersector linkages to mutually reinforce higher cross-sectoral outcomes and impacts.

The programs are considered *relevant* to the country's strategies, with a series of projects/programs designed to support the sector objectives. However, there were notable weaknesses in project design, especially in rural WSS. Resource use in the programs is considered *efficient*, with solid returns on investment for transport and ANR projects, and fairly high returns on reforms in finance/PSD, though with startup and implementation delays, which were normal portfolio problems encountered in most sectors.

The programs are considered *effective* in achieving many sector outcomes, especially in transport, finance/PSD, and the social sectors. Road travel time between Bishkek and Osh decreased by half and vehicle operating costs decreased by 15%. Institutional regulations and supervision of banks helped enhance the quality of banking operations. Institutional and policy reforms such as decentralized school-based management helped increase the quality of learning outcomes.

The sustainability prospects of outputs and outcomes appeared *less than likely*, especially in transport, the largest sector, with insufficient maintenance of the road network. Although the government's road maintenance funding increased in the past 5 years, it remains inadequate, it is only one-third of the international standard, and it has to repair damage from frequent natural disasters as well. Sustainability was also affected, since project implementation/management units (PIUs/PMUs) in most sectors (except transport) were project-specific and not part of the executing agencies' normal systems, and they were dissolved after project/program completion. The contributions of combined sector outcomes to the country's achievement of development impacts are *satisfactory*, with large-scale contributions by the transport and finance/PSD sectors, and to a lesser extent by the social and ANR sectors. These, in turn, contributed more to the achievement of the first CSP pillar/objective (on sustainable growth) and less to the second CSP pillar/objective (on poverty reduction).

The CAPE assesses the performance of ADB support to transport, finance/PSD, education, ANR, and health as *successful*. Performance in rural WSS and PSM was *less than successful* and could have been better by sequencing interventions to take into account reform readiness and limited government ownership. ADTA could have been used more systematically, rather than ad hoc, to assess ownership and readiness of the intended reforms and improve the implementation capacity of executing agencies, and to help the country develop a results framework and establish a monitoring and evaluation (M&E) system to track the progress of the country's achievement of various indicators. Private sector operations could have increased the role by joining existing

partners. Conversely, recent support in the energy sector is highly relevant, as it is addressing critical threats to energy security.

**Key Lessons.** Based on the above findings, key lessons are identified below:

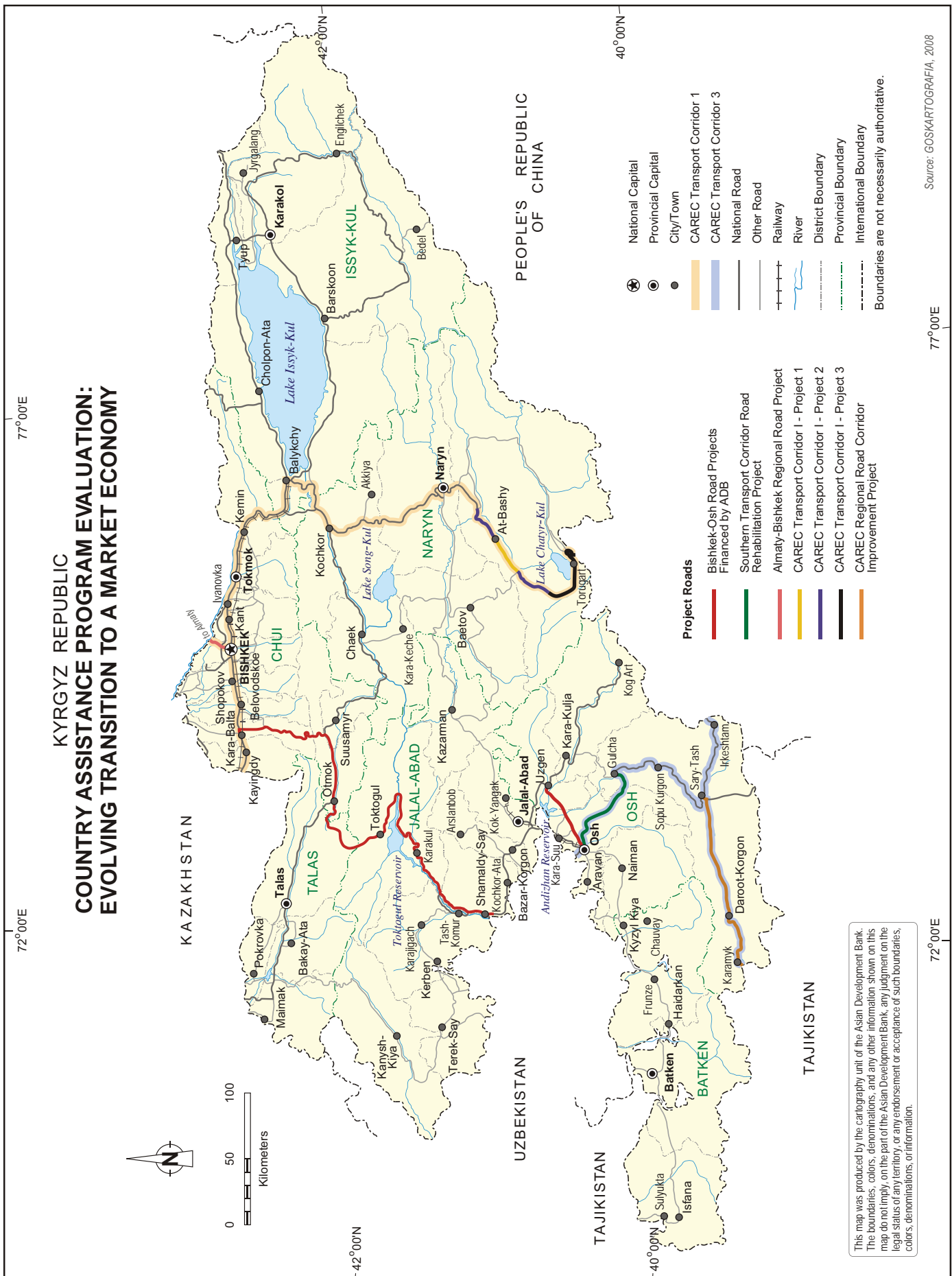
- (i) Lack of government ownership can lead to delays, slow disbursement, and changes in executing agency with irregularities in implementation performance.
- (ii) Lack of focus and sector linkages can result in resources spread thinly in many sectors, some of which were not yet ready to implement projects.
- (iii) Ad-hoc provision of ADTA can result in “one-off capacity creation,” not sufficient for “long-term capacity development” of executing agencies.
- (iv) The use of PIUs/PMUs not part of the executing agencies’ systems, while creating “short-term capacity substitution,” can affect sustainability.
- (v) Inadequate attention to road maintenance can result in weak sustainability of the road network.

**Recommendations.** Below are recommendations for management consideration:

- (i) **Focus on development impacts and address sustainability issues at the design stage.** The next CPS should focus on sectors/subsectors where the government has shown strong commitment/ownership and where ADB has performed well, while working closely with other development partners to focus on other sectors to increase synergies and complementarities. For example, in transport, the emphasis could be on improving road maintenance and the sustainability of the existing road network (by working out road asset management reform with other key partners), while easing constraints to logistics and cross-border trade facilitation and improving road safety. In energy, the focus could be to make the sector financially viable, sustainable, transparent, and free of corruption so that it can ensure a stable and reliable energy supply to domestic customers and for export. In education, support for vocational education and skills development would be appropriate to boost productive employment, combat the brain drain, and make the growth pattern more inclusive. Although PSM did not perform very well in the past, ADB could limit its support to the area related to improving governance in project implementation by helping develop an e-procurement system.
- (ii) **Use ADTA systematically, by integrating it into the overall CPS to help assess government capacity, ownership, and accountability upfront.** ADTA should be used innovatively to assess the capacity, ownership, and accountability of the executing agencies (e.g., developing the required capacity in project implementation and results-based M&E, as well as assessing ownership and accountability of the executing agencies using various criteria) before providing projects/programs in certain sectors. This would allow the next CPS to better design and implement projects/programs with increased chances of being more effective and reduced risks of being suspended/canceled.

- (iii) **Move away, in a phased manner, from the extensive use of externally driven PIUs/PMUs which are closed after project completion and not integrated into the executing agency's regular structures for project implementation.** If special vehicles cannot be avoided, for instance due to the country's very high government staff turnover, a single PIU/PMU in each agency that needs it should be used provided experienced local staff that runs it can be retained and transferred to the next PIU/PMU.
- (iv) **Improve the CPS results framework and continue assisting the country to improve results orientation and overall M&E system.** In cooperation with other development partners, ADB should continue assisting the government to develop an overall results framework for the country that reflects the national strategy at the country and sector levels, and establish a results-based M&E system to track the progress of the country's achievement of various targets set. The results framework of the next CPS itself should also be improved, based on clear sector roadmaps and possible linkages between different sector operations to mutually reinforce achievement of desired higher outcomes/impacts.
- (v) **Address climate change adaptation in the next CPS.** Natural disaster risk management could be in large part addressed under climate change adaptation measures and environmental protection. Earthquake risk adaptation is being attended to by the Government and other partners. A climate change assessment which includes natural disaster risks and how to deal with them, should be prepared to support the government and used to identify measures to deal with these risks under the new CPS.
- (vi) **Continue efforts to boost ADB's private sector operations.** This will help attract more FDI, improve corporate governance standards, and facilitate sustainable economic growth. ADB's approval in early 2012 of an SME credit line to a domestic bank is an important step in that direction. Additional efforts to increase private sector operations should be continued, and cofinancing possibilities with other relevant development partners explored.

# KYRGYZ REPUBLIC COUNTRY ASSISTANCE PROGRAM EVALUATION: EVOLVING TRANSITION TO A MARKET ECONOMY



This map was produced by the cartography unit of the Asian Development Bank. The boundaries, colors, denominations, and any other information shown on this map do not imply, on the part of the Asian Development Bank, any judgment on the legal status of any territory, or any endorsement or acceptance of such boundaries, colors, denominations, or information.

Source: GOSKARTOGRAFIYA, 2008

72° 00'E

77° 00'E

40° 00'N

42° 00'N

# CHAPTER 1

## Introduction

### A. Objectives

1. This country assistance program evaluation (CAPE) assesses the country strategies and assistance programs of the Asian Development Bank (ADB) for the Kyrgyz Republic from 1994, when it first became an ADB's developing member country, until 2010, which is the end of ADB's current country strategy to the Kyrgyz Republic, with emphasis on more recent support. This is the first CAPE for the Kyrgyz Republic that has been prepared by ADB's Independent Evaluation Department (IED). The objectives of the CAPE include both accountability and forward-looking lessons learning: (i) to provide a credible assessment of the performance of ADB's country strategies and programs; and (ii) to draw lessons and recommendations for better design and implementation of ADB's future country partnership strategy (CPS) and country operations business plan (COBP).

**CAPE objectives include both accountability and forward-looking lessons**

### B. Scope and Coverage

2. This CAPE covers ADB's country strategies and support programs for the Kyrgyz Republic approved during 1994–2010, including the 1996–2003 Country Operational Strategy (COS),<sup>1</sup> the 2004–2006 Country Strategy and Program (CSP),<sup>2</sup> and the 2007–2010 Joint Country Support Strategy (JCSS).<sup>3</sup> It also covers assistance programs under the 2002–2004<sup>4</sup> and 2006–2008<sup>5</sup> CSP updates. Overall, the assistance programs covered include 49 project and program/policy-based loans and grants (31 loans from Asian Development Fund [ADF] resources, 13 ADF grants, and 5 Japan Fund for Poverty Reduction [JFPR] grants), totaling about \$1.0 billion; and 52 advisory technical assistance (ADTA) grants, totaling \$28.2 million. The CAPE assesses the performance of ADB's country strategies and assistance programs in six key sectors—agriculture and natural resources (ANR), finance/private sector development (PSD), public sector management (PSM), education, health, and transport—and overall. The evaluation also includes a review of smaller ADB assistance in rural water supply and sanitation (WSS) and energy.

**CAPE covers ADB's country strategies and support programs during 1994–2010**

### C. Organization of the Report

3. This report is organized into seven chapters. Chapter II analyzes the country context, government strategies, the evolution of ADB's country strategies and assistance programs, and coordination with other development partners. Chapter III explains the CAPE's evaluation methodology. Chapter IV provides an assessment of

<sup>1</sup> ADB. 1996. *Kyrgyz Republic: Country Operational Strategy*. Manila.

<sup>2</sup> ADB. 2003. *Kyrgyz Republic: Country Strategy and Program 2004–2006*. Manila.

<sup>3</sup> ADB. 2007. *Kyrgyz Republic: Joint Country Support Strategy 2007–2010*. Manila.

<sup>4</sup> ADB. 2001. *Kyrgyz Republic: Country Strategy and Program Update (2002–2004)*. Manila.

<sup>5</sup> ADB. 2005. *Kyrgyz Republic: Country Strategy and Program Update (2006–2008)*. Manila.

how ADB support has helped address the Kyrgyz Republic's major constraints to facilitate the country's transition in each of the three country strategy periods. Chapter V provides an assessment under the six evaluation criteria of strategic positioning, relevance, effectiveness, efficiency, sustainability and development impact. Chapter VI summarizes the overall assessments, while Chapter VII identifies key lessons and recommendations.

## CHAPTER 2

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# Country Context, Government Strategies, and ADB Support

### A. Analysis of the Country Context and Major Constraints

4. The Kyrgyz Republic (see map) is a landlocked country at the northern extremity of the Himalayan range. It became part of the Soviet Federated Socialist Republics in 1924, was made an autonomous republic in 1926, and became a constituent republic of the former Soviet Union (FSU) in 1936. It proclaimed its independence from the FSU on 31 August 1991 and became a member of the Commonwealth of Independent States (CIS) on 21 December 1991. It became a member of the United Nations (UN) and the International Monetary Fund (IMF) in 1992, and of ADB in 1994. Soon after independence, the government adopted a strategy to transform the economy from a command economy into a market-oriented economy by introducing a liberal trade regime, eliminating most capital controls, ending most price subsidies, and introducing its own currency, the som, in May 1993.

5. The country's progress to these ends has been fractious. Frequent changes in government and internal disputes have disrupted the implementation of policies and reforms and thus of the transition to a market economy. In March 2005, the Tulip Revolution ousted the president, who had been in power since independence, amid widespread allegations of regime corruption. Kurmanbek Bakiyev was elected president in July 2005 and reelected in 2009, but was forced to resign in April 2010 following popular protests against increased corruption and poor governance. The situation was aggravated by ethnic violence that erupted in June 2010 in the southern cities of Osh and Jalal-Abad, claiming hundreds of lives and pushing thousands to flee to neighboring countries, especially Uzbekistan, though many of them later returned home within a month. An interim government took control of the country until the first peaceful power transformation in post-soviet Central Asia took place in October 2011, with a smooth transfer of power to Almazbek Atambayev as president and the formation of a coalition government headed by Omurbek Babanov as prime minister. The new government approved two action plans in early 2012—one was for the following 100 days and the other was the Medium-Term Development Program (2012–2014). Both plans focus largely on fighting corruption (including setting up an anticorruption service within the National Security Service and streamlining government services) to improve the investment climate and political/economic stability.

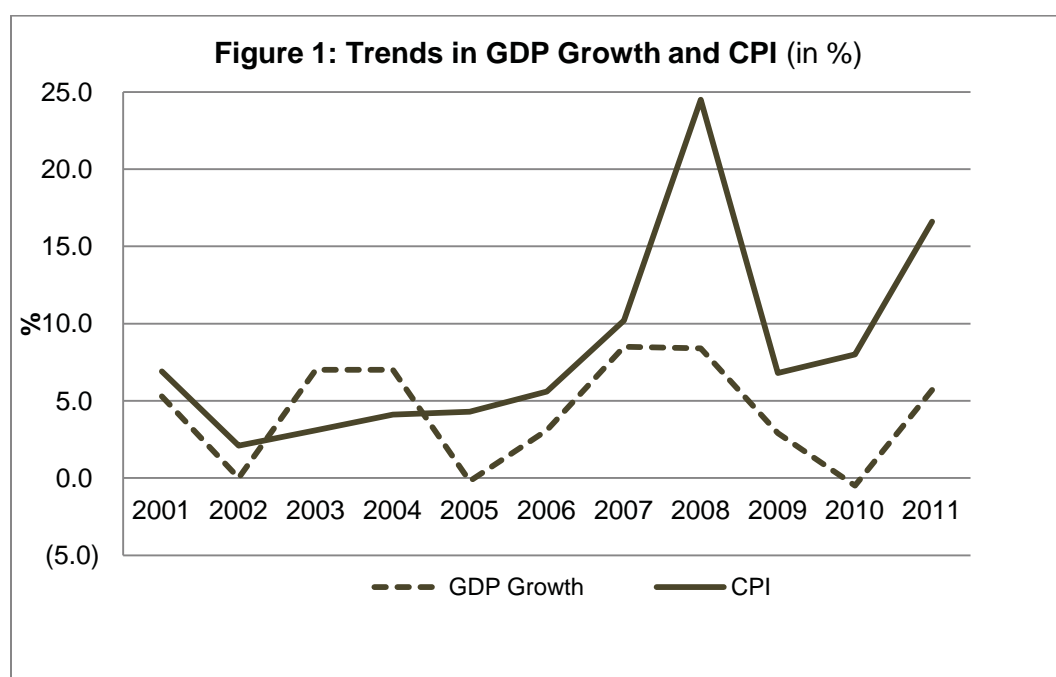
6. Since its embarkation on transition to a market-based economy in 1991, the Kyrgyz economy registered a sharp contraction until the mid-1990s, when it started to experience moderately high but volatile gross domestic product (GDP) growth rates,

**Political  
situation:  
improved but  
remaining  
fragile**



**Economic  
Development:  
moderately high  
growth despite  
shocks and  
lapses**

averaging 5.6% per annum during 1996–2000, 4.3% during 2001–2011, and 4.6% during the past 15 years (Figure 1) (Table A1.1, Appendix 1). The 2005 revolution and the two internal disturbances in April and June 2010 resulted in negative growth in those years. The 2008 global financial turmoil adversely affected growth in 2009. The events in 2010 also had a severe impact on the country's banking system, worsening loan quality and significantly increasing withdrawals. Growth rebounded in 2011 at 5.7%, due mainly to high remittances<sup>6</sup> of about 25% of GDP from the country's large volume of labor migrants,<sup>7</sup> who account for about 13% of the total population or 29% of the economically active population; and indirectly to the high global price of gold, which comes from the Kumtor gold mine and is one of the country's major exports (Figure 2).<sup>8</sup> The mine started production in 1997 and at that time was the country's largest foreign direct investment (FDI). FDI has otherwise remained low, though it increased from almost negligible in the early 2000s to 8% of GDP in 2011. Average price inflation has been single digit, except in the 2008 global economic turmoil (24.5%) and the 2011 high global food prices (16.6%).



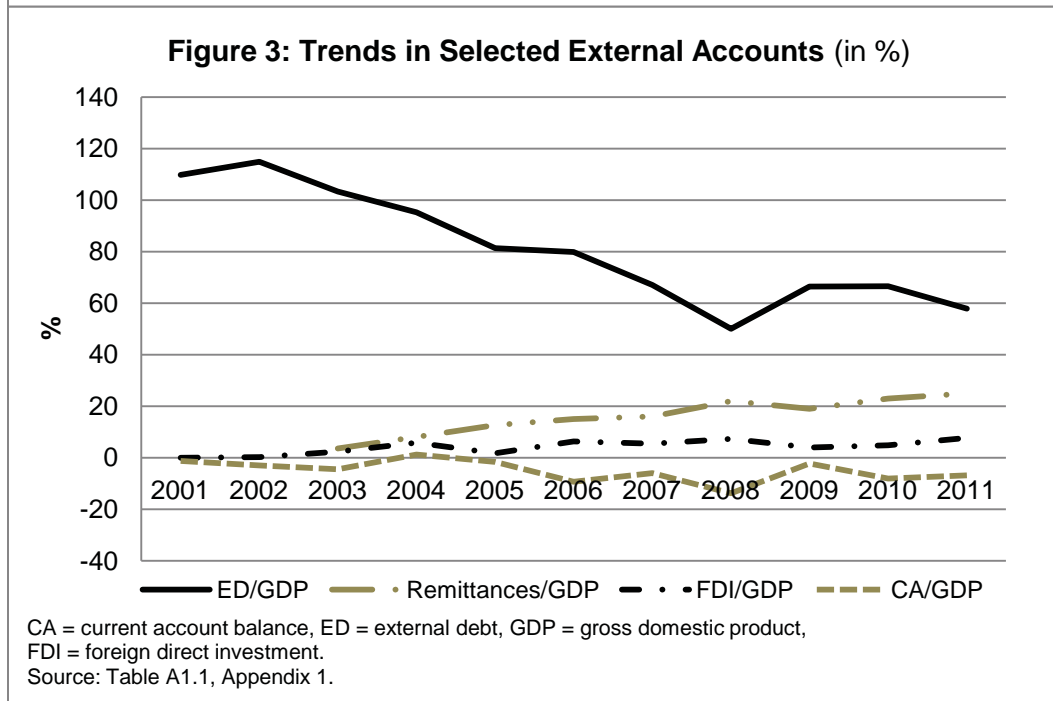
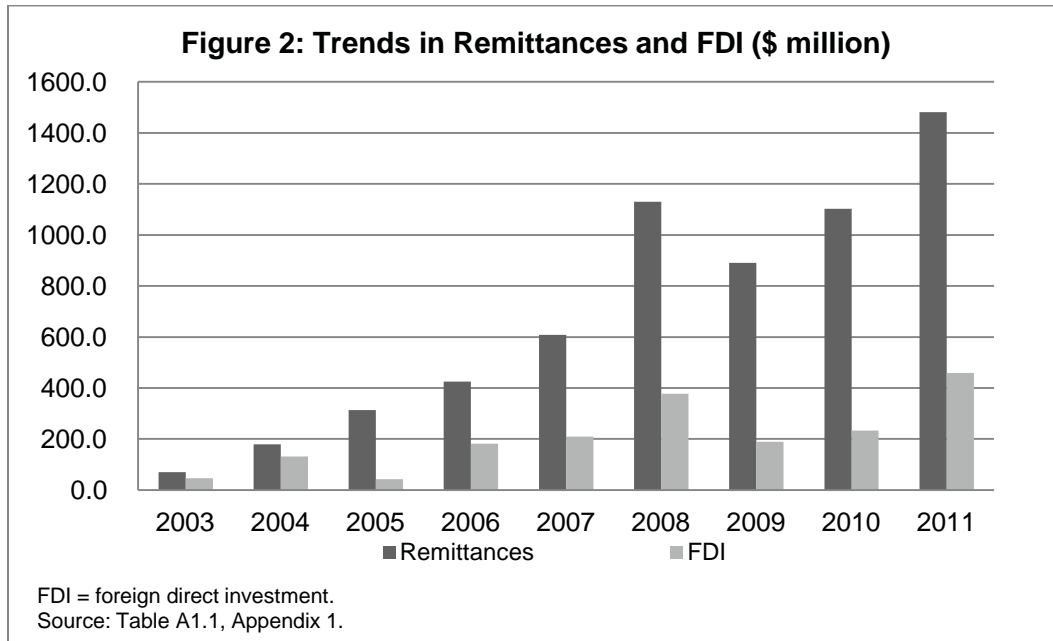
7. The Kyrgyz Republic was in 1998 the first CIS country to join the World Trade Organization (WTO). This has enabled it to reexport goods from the People's Republic of China (PRC) to some neighboring countries at higher prices. Along with the high remittances, these contributed to lowering the current account deficit from 13.7% of GDP in 2008 to 6.4% in 2011 (Figure 3), and allowed the country to build its foreign

<sup>6</sup> While large-scale emigration has resulted in skill shortages in many professions, remittances have averaged 16% of GDP over the past decade, reaching \$1.4 billion per annum in 2011. Remittances are now an important source of livelihood for a large segment of the population. It is estimated that 500,000 Kyrgyz citizens work in Russia, 75,000 in Kazakhstan, and 2,000 in Republic of Korea (see G. Orozalieva. 2012. *Update on Developments in National Migration Policy of Kyrgyz Republic*. ADBI-OECD Roundtable on Labor Migration in Asia. Tokyo).

<sup>7</sup> Migration is an important factor in the economic development of the country. During 1990–2010, approximately 800,000 people migrated abroad, primarily to Russia and Kazakhstan. Ethnic Russians have been the main migrant group, a large number of whom are technicians and skilled tradespersons. Less skilled migrants work in retail trade, shipping, and construction.

<sup>8</sup> The Kumtor Gold Company was established by a Canadian company and the government through Kyrgyzaltyn Gold Company in 1992 to develop the Kumtor gold mine.

exchange cover and maintain the som exchange rate within a narrow range to the US dollar. Public external debt declined from more than 100% of GDP in the early 2000s to 59% in 2011. The recent improvement in tax collection, with tax income rising by 33% in 2011 (to reach 69% of total revenue), the fiscal deficit decreased from 6.3% in 2010 to 4.7% in 2011. Efforts are being made to improve fiscal accountability, with program budgeting introduced as is a medium-term budget framework that will identify priority sector and program allocations and help improve the tracking effectiveness of expenditures by program, category, and region.<sup>9</sup>



<sup>9</sup> ADB. 2012. *Kyrgyz Republic Country Performance Assessment 2011*. Manila.

**Social  
Development:  
more inclusive  
growth needed**

8. The Kyrgyz Republic's GDP was \$5.9 billion in 2011, the population 5.6 million, and GDP per capita a little over \$1,000. About 40% of the GDP was accounted for by the agriculture sector in early 1990s, but reduce to 20% in 2011; while the services sector increased from about 20% to half of the GDP during the same period.<sup>10</sup> About two-thirds of the population lives in rural areas and many rely on agriculture. Progress in social development has been highly uneven. Over the past 15 years, there was progress in the poverty reduction from 50% in 2003 to 43% in 2005 and 34% in 2010 (see Table A1.2, Appendix 1).<sup>11</sup> Regional disparities have been high, with a far higher poverty incidence in rural compared with urban areas (40% vs. 24% in 2010). Extreme poverty has been reduced from 9% to 5% during 2006–2010, with 6% in rural areas and 4% in urban areas in 2010. Income inequality, as measured by the Gini coefficient, declined moderately from 0.45 to 0.37 (2000–2010), while the human development index increased slightly from 0.58 to 0.61, ranking the country 126th out of 187.

9. Progress in achieving the non-income Millennium Development Goals (MDGs) has been highly uneven. Appendix 2 shows that some of the MDG indicators for universal basic education, environmental sustainability, and global partnership have been achieved or are likely to be achieved. For example, the adult literacy rate has remained close to 100% for the past 15 years, reflecting a strong legacy of heavy Soviet spending on education. The government's targets for gender equality, infant mortality rate (IMR), child mortality rate (CMR), and maternal mortality rate (MMR) are unlikely to be achieved by 2015 (although it should be noted that the government data for IMR, CMR, and MMR before and after 2004 are not really comparable as the definition of live birth was adjusted to the World Health Organization's standards only in 2004). As for gender equality, while the country performs well in several gender dimensions, women tend to earn about 35% less than men.

**Major  
Constraints:  
transition  
incomplete**

10. The Kyrgyz Republic made considerable headway in its transition from a centrally planned to a market-oriented system in the 1990s (e.g., by largely liberalizing prices, trade, and the foreign exchange regime; privatizing many state-owned enterprises [SOEs]; and implementing some financial and infrastructure reforms). However, a number of major constraints and risks remain as identified below:<sup>12</sup>

<sup>10</sup> See *Constraints to Inclusiveness*, Central and West Asia Department. ADB. 2012. Manila. The main agricultural products have been cotton, tobacco, wool, and meat. Agricultural processing is also a key component of the industry sector.

<sup>11</sup> Poverty incidence was calculated based on the national poverty line using the cost of basic needs approach. This involves specifying a consumption bundle with food (including home-produced food) and nonfood components. The nonfood expenditures include nondurables and the imputed use value of durables, but exclude housing costs. To ensure that the poverty line reflects the consumption patterns of lower-income households, the reference food consumption patterns are derived from households in the third, fourth, and fifth consumption deciles. The food poverty line is established at the level of expenditures on food needed to consume 2,100 calories per day. The nonfood poverty line is computed based on those households whose food consumption reaches 2,100 calories. The sum of these two components yields the absolute or overall poverty line. This methodology provides reasonable estimates of the minimum food and nonfood expenditures needed to achieve adequate nutrition, while consuming other nonfood items considered absolutely essential. The poverty line does not reflect what society may think households should consume, nor does it include other essentials such as expenditures for school uniforms or health care. The National Statistical Center established the absolute poverty line in 2003 and subsequently adjusted it for inflation on an annual basis. In 2008, it updated the poverty line due to the dramatic relative price changes and ensuing shifts in the consumption patterns of households. Although this change may affect the consistency in the measurement of poverty over time, leaving it unchanged would have yielded a biased picture of poverty in the country.

<sup>12</sup> Constraints to growth include binding and non-binding constraints. The former refers to high priority constraints, and the latter to lower priority ones. These constraints can be determined using the HRV method as an alternative to the "Washington Consensus" (see R. Hausmann, D. Rodrik, and A. Velasco. 2005. *Growth Diagnostics*. Harvard Kennedy School. Cambridge). The principle of the HRV method is to first pinpoint the most binding constraints and then identify reforms that alleviate them (in accordance

- (i) **Infrastructure Constraints.** Key infrastructure constraints include unreliability of power supply and geographical isolation. Being a landlocked and mountainous country with a small population dispersed over a vast area, hence a small domestic market, the Kyrgyz Republic has to overcome obstacles posed by the difficult topography and isolation, aggravated by the deterioration of the country's infrastructure after the breakup of the former Soviet Union (FSU). These caused high infrastructure costs for constructing, rehabilitating, and maintaining roads. Coupled with weaknesses of customs administration and restrictive border-crossing procedures, both internal and external trade had become extremely difficult. The country has recognized the importance of road rehabilitation and regional cooperation for rapid economic growth, thus becoming a member of several regional cooperation programs, and the need for reliable power supply.
- (ii) **Fiscal and Institutional Capacity Constraint to Inclusiveness.**<sup>13</sup> Insufficient fiscal and institutional capacity resulted in ineffective and inadequate delivery of basic social services, which has become a constraint to inclusiveness in terms of difficulties to enhance equality of opportunities for employment, higher productivity, and access to market and other social services, thereby deterring the country's transition process. The country's official unemployment rate has been about 8% over the past five years whereas youth unemployment rate has been 14% (footnote 10). Unemployment rate would have been much higher had there not been a large emigration of about 800,000 to neighboring countries (83% to Russia), working mainly in low qualifying jobs (e.g., construction, services, and trade). They remitted about \$1.5 billion (25% of GDP) back to the country in 2011. At the same time, foreign direct investment in the country has been

**Infrastructure constraints: unreliability of power supply and geographical isolation**

**Constraint to inclusiveness: difficulties to enhance equality of opportunities and access to market**

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with priorities). The Kyrgyz Resident Mission is now conducting a study to identify the country's current binding constraints using the HRV method. The preliminary findings of the study include the following binding constraints: (i) micro constraints (e.g., corruption, weak rule of law, political/policy instability); (ii) unreliability of power supply; (iii) high cost and access to finance; and (iv) shortage of skilled labor. The constraints identified by the CAPE are drawn from the Kyrgyz Resident Mission's ongoing study, with some modifications (e.g., the "micro constraints" and "high cost and access to finance" are combined into "governance constraints;" whereas the "unreliability of power supply" is grouped with geographical constraint into "infrastructure constraints;" and the "shortage of skilled labor" is called "fiscal and institutional capacity constraint to inclusiveness." And in order to avoid technical terms, the CAPE refers to these constraints as "major constraints" which can be binding or non-binding at present without the need to rank their priorities (since the CAPE period started from 1994 when geographical isolation was among the top priority constraints of the Kyrgyz Republic).

<sup>13</sup> "Inclusive growth" includes both pace and pattern of growth. That is, the "pace" of growth has to be rapid/sustainable enough to allow for inclusive "pattern" in terms of equality of opportunities for employment, higher productivity, and access to market and other social services. It thus focuses on productive employment, rather than direct income redistribution, as a means of increasing incomes for excluded groups. It emphasizes policies that remove constraints to growth and create a level playing field for investment (see E. Ianchovichina and S. Lundstrom. 2009. *What is Inclusive Growth?*). "Inclusive growth" differs from "pro-poor growth" in that the former is the absolute, rather than relative, definition of the latter. Under the absolute definition, growth is considered "inclusive" if poor people benefit in absolute terms with reduction in their poverty measurement (see M. Ravallion and S. Chen. 2003. "Measuring Pro-poor Growth." *Economics Letters* 78). Under the relative definition, growth is considered "pro-poor" if the focus is on reducing inequality by increasing the incomes of poor people faster than those of the population as a whole, but not necessarily resulting in optimal outcomes of faster rate of growth with the greatest pace of poverty reduction (see DFID. 2004. *What is Pro-poor Growth and Why Do We Need to Know?*. London).

increasing—more than doubled in the past 5 years—to about \$459 million (8% of GDP); but is low relative to former FSU countries.

(iii) **Governance Constraints.** With a long legacy of central control, the democratic rule of law has only begun to take hold. While the country made good progress toward a market system in the 1990s, the transition slowed markedly during the past decade due to weak capacity to carry out challenging reforms, combined with strong opposition from vested interest groups, which caused progress to come to a near-halt. As such, there remain major transition gaps, particularly with respect to the role and corporate governance of the many SOEs, difficulties in cross-border trading, and weak procurement and public financial management systems.

(iv) **Risks of Frequent Natural Disasters and Other Risks.** Recent data from the Central Asian Institute for Applied Geosciences indicated that annually, the country experiences about 3,000 tremors, 10 earthquakes, 10–100 landslides, 100 floods, and 60 glacier lake outbursts.<sup>14</sup> Many kinds of hazards (e.g., landslides and floods resulting largely from deforestation) are sufficiently localized to undertake preventive measures, except for earthquakes, which will require earthquake-proof infrastructure to reduce the disaster risks. Such infrastructure is being promoted by the Ministry of Emergency Situations, supported by the Central Asian Institute for Applied Geosciences and certain development partners. Space technology (e.g., earth observation satellites) has become important in mitigating disasters by providing emergency observations, monitoring, and assessing postdisaster damage. Sentinel Asia—which is a voluntary initiative led by the Asia-Pacific Regional Space Agency Forum—has been providing space technology support to the country. Other risks include internal conflicts, which could erupt into large-scale social unrest such as in June 2010; and vulnerability to external shocks such as the 2008 global financial turmoil.

11. The Kyrgyz Republic does not fare well in international governance rankings, with a score of 2 on a scale of 0 (highly corrupt) to 10 (highly clean). The country ranked 164th out of 178 countries in the 2009 Transparency International Corruption Perceptions Index. The country's rating for corruption in the Freedom House's Nations in Transit 2010 report was 6.5 on a scale of 1 to 7, in which a higher rating corresponds to worse performance. The country ranked 97th out of 125 countries in the 2010 International Property Rights Index. A tendency to redistribute assets after the 2005 and 2010 revolutions has also undermined application of due process and the rule of law.<sup>15</sup> The judicial system is underdeveloped and lacks independence.<sup>16</sup> Protection of property rights and enforcement of contracts is inadequate. Table 1 shows that the country's percentile ranks on most dimensions of governance in the World Bank's Worldwide Governance Indicators deteriorated between 2000 and 2009, especially in terms of "rule of law" and "control of corruption." Only 5.7% and 6.7%, respectively, of the 213 countries covered had lower scores in 2009. Slow progress in

<sup>14</sup> See also: United Nations Secretariat, International Strategy for Disaster Reduction. 2010. *In-depth Review of Disaster Risk Reduction in the Kyrgyz Republic*. Sub-Regional Office for Central Asia and Caucasus.

<sup>15</sup> The European Bank for Reconstruction and Development. 2010. *Transition Report 2010*.

<sup>16</sup> The Heritage Foundation and the Wall Street Journal. 2011. *2011 Index of Economic Freedom*.

Major transition gaps lie in the role and corporate governance of many SOEs

Annually, the country experiences about 10 earthquakes, 10–100 landslides, 100 floods, and 60 glacier lake outbursts

Country's ranks on governance indicators deteriorated between 2000 and 2009

public administration reform is one of the reasons why corruption is seen to be widespread and why government effectiveness tends to be low.

**Table 1: World Bank's Governance Indicators for the Kyrgyz Republic**

Item	Governance Score <sup>a</sup>		Percentile Rank <sup>b</sup>	
	2000	2009	2000	2009
Voice and Accountability	-1.17	-1.02	14.9	19.0
Political Stability	-0.38	-0.64	32.7	24.6
Government Effectiveness	-0.54	-0.94	34.1	17.2
Regulatory Quality	-0.10	-0.34	49.5	40.7
Rule of Law	-0.82	-1.32	25.8	5.7
Control of Corruption	-0.73	-1.22	26.8	6.7

<sup>a</sup> The governance scores range between -2.5 and 2.5, with a higher score corresponding to better outcome.

<sup>b</sup> The percentile rank is the proportion of countries that have a lower score than the Kyrgyz Republic within the total number of countries for which the indicators are available.

Source: [http://info.worldbank.org/governance/wgi/sc\\_chart.asp](http://info.worldbank.org/governance/wgi/sc_chart.asp)

12. Several constraints such as the four described above have slowed the country's process of market-oriented reforms and stifled at times economic growth by causing distortions and inefficiencies in the economy. Table 2 shows the European Bank for Reconstruction and Development's (EBRD) transition indicators for the Kyrgyz Republic in various aspects, ranging from 1 (representing a rigid centrally planned economy) to 4+ (representing the standards of an industrialized market economy). The country fares well in terms of price liberalization, trade and foreign exchange system, and privatization of SOEs. However, the transition remains incomplete, particularly in the areas of competition policy, governance and enterprise restructuring, banking and nonbank reforms, and overall infrastructure reform.

**Table 2: EBRD's Transition Indicators for the Kyrgyz Republic**

Item <sup>a</sup>	1991	2000	2011
<b>Markets and Trade</b>			
Price liberalization	1	3	4+
Trade and foreign exchange system	1	4	4+
Competition policy	1	2	2
<b>Enterprises</b>			
Small-scale privatization	1	4	4
Large-scale privatization	1	3	4-
Governance and enterprise restructuring	1	2	2
<b>Financial Institutions</b>			
Banking reform and interest rate liberalization	1	2+	2
Capital markets and nonbank financial institutions	1	2	2-
<b>Infrastructure</b>			
Overall infrastructure reform	1	2-	2- (2010)

EBRD = European Bank for Reconstruction and Development.

<sup>a</sup> The transition indicators range from 1 to 4+, with 1 representing little or no change from a rigid centrally planned economy and 4+ representing the standards of an industrialized market economy.

Source: EBRD's Transition Reports for various years.

**Transition remains incomplete in competition policy, governance and enterprise restructuring, bank and non-bank reforms, and overall infrastructure reform**

## B. Government Development Strategies and Plans in Relation to the Country Context

13. This analysis of the government's strategies and plans is divided into four periods below, in accordance with the government plan periods and the corresponding country situations.

Government focused on transforming economy to a market system

14. **1991–2000.** Following the dissolution of the FSU in 1991, the Kyrgyz government focused on how to transform the economy into a market system. Key development partners started assisting the country as early as 1994, particularly in structural reforms and macroeconomic stabilization (e.g., IMF provided the Enhanced Structural Adjustment Facility in July 1994, while ADB provided the Special Assistance in December 2004). Curbing inflation and reversing economic contraction were the government's top priorities under its 1994 Concept of Economic and Social Development of the Kyrgyz Republic until 2000. Inflation in 1994 was 181% and remained double-digit during 1995–2000 (averaging 27.3%). GDP growth was negative (-20.1% in 1994 and -5.4% in 1995). In 1996, the government drafted the country's development roadmap—the Indicative Social-Economic Plan for 1996–1998 and the Economic Strategy (1996–2005)—focusing on (i) building a competitive market system, (ii) public sector reforms, and (iii) PSD. Priority sectors were infrastructure, enterprise sector, natural resource management, human development and social services, and public administration. During this period, there was a substantial reversal in GDP growth from -5.4% in 1995 to 7.1% in 1996 (averaging 5.6% per annum in 1996–2000). Inflation turned single-digit beginning 2001.

Focus was on sustainable growth and poverty reduction

15. **Early 2000s–Mid-2000s.** In the early 2000s, as inflation eased and the economy began expanding, the government started to focus on sustainable growth and poverty reduction as the overarching objective in the long-term Comprehensive Development Framework (CDF) of the Kyrgyz Republic for 2001–2010, with a three-pronged approach: (i) forming an effective and transparent state, (ii) building a fair society, and (iii) promoting sustainable economic growth. In 2002, the National Poverty Reduction Strategy<sup>17</sup> (NPRS) was adopted to serve as the country's medium-term development plan for 2003–2005 to implement the CDF, aimed at expanding annual GDP by 5%, reducing poverty from 55% in 1999 to 39% in 2005, and increasing annual gross domestic private investment from 10% of GDP to 20% (only the first of which was generally achieved during the NPRS period). The NPRS focused on (i) private sector-led growth, (ii) governance and transparency in public administration (e.g., through reforms of public administration, decentralization and local self-governance, establishment of effective civil service, and reforms of public financial management and judicial system), and (iii) human development. Priority sectors included transport, energy, mining, and tourism. During this period, since the country's external debt had reached an unsustainable level (averaging 100% of GDP annually), there was a substantial shift from loan to grant funding provided by development partners, including ADB, which started to provide grant support in 2005.

Continued focus on poverty reduction and key sectors for growth

16. **Mid-2000s–2010.** In 2006, the government adopted a new Poverty Reduction Strategy, which became the Country Development Strategy (CDS) for 2007–2010, with environmental sustainability added as a new objective. Additional priority sectors included finance, education, and health, while mining and tourism were taken out. The

<sup>17</sup> Government of the Kyrgyz Republic. 2002. *Kyrgyz Republic: National Poverty Reduction Strategy 2003–2005*. Bishkek.

MDGs were also identified as priorities. In 2009, the government approved a revised CDS for 2009–2011 as the country’s medium-term development strategy. The strategic development goal of the new CDS is “improvement of quality of life through improving the quality of economic growth, management, and environment.” The new CDS recognizes the role of the energy sector as an engine of growth, PSD, the need for good governance and a favorable investment climate, and the role of the agriculture sector in output and employment. It also addresses the risks from changes in the world economy, and the lack of food and energy security. Average GDP growth during the CDS period (2007–2010) was about 5%, while the poverty incidence remained high, declining only slightly from 35% to 34%. Appendix 3 summarizes the priorities of various government development strategies and plans by sector/area.

17. **2011–Present.** The new government developed the Medium-Term Development Program (2012–2014) with an emphasis on security and governance reforms. Other areas of emphasis included finance and PSD, social development, food and energy security, mining, postconflict recovery, and reconstruction of the south. Improved governance has been adopted as a main theme of the new government’s reform programs. Supervisory councils, which include members from civil society, have been included in sector ministries and agencies to encourage greater transparency in decision making and resource allocation. Restoring macroeconomic stability, by bringing inflation and the budget deficit under control, is also of high priority, and is being supported by the IMF’s External Credit Facility and budget support from several development partners.

### C. ADB’s Country Strategies and Support Programs

18. This section describes ADB’s country strategies and support programs to the Kyrgyz Republic to provide necessary information for subsequent assessment of their performance in Chapters IV and V.

19. **First Period: The 1996–2003 COS.** The Kyrgyz Republic joined ADB on 13 April 1994. ADB operations in the country began before ADB’s first country strategy was prepared, with the approval of a small-scale ADTA in September 1994 to familiarize the government with ADB policies and procedures. The first ADB loan to the country was approved in December 1994 to support the government’s macroeconomic stabilization and structural reform program.<sup>18</sup> The strategic pillars/objectives of the 1996–2003 COS were to (i) support reforms, (ii) encourage private-sector led growth, and (iii) foster human/social development (Appendix 4). The initial focus of ADB’s country assistance program was to help establish a market-oriented economy through projects and programs in ANR, finance/PSD, PSM, transport, and the social sectors.

ADB’s first strategy period focused on market-oriented reforms

20. **Second Period: The 2004–2006 CSP.** ADB’s resident mission in the Kyrgyz Republic was established in April 2000. Thereafter, ADB operations in the country grew with the preparation of a new CSP, which was approved in 2003. The overall strategic objective of this 2004–2006 CSP was poverty reduction through—again—(i) promoting private sector-led growth, and (ii) selective support of human development (Appendix 4). This was to be supported by a program mostly in the same sectors as before: ANR, finance/PSD, transport corridor, and the social sectors. However, PSM was dropped from the program.

Second strategy period focused on increasing inclusiveness

<sup>18</sup> ADB. 1994. *Special Assistance Project*. Manila. (Loan 1342-KGZ).



Third strategy period focused on strengthening regional cooperation, among others

21. **Third Period: The 2007–2010 JCSS.** ADB’s current country strategy for the Kyrgyz Republic is part of the 2007–2010 JCSS, which was prepared with several bilateral and multilateral partners.<sup>19</sup> It is broad ranging, and aligned with the government’s 2007–2010 CDS. Its strategic pillars/objectives are to (i) contribute to robust and sustainable economic growth, and (ii) attain poverty reduction and other MDGs (Appendix 4). Within the JCSS, ADB’s program was to be selectively focused on the following sectors: transport and communications, ANR, and education; and the following cross-cutting themes: PSD, regional cooperation and integration, and environmental sustainability. Health was no longer supported, while PSM was restored through a tax administration reform. A COBP for 2011–2012 identified operations in transport, urban sector development, energy, and PSM.

#### D. Roles of and Coordination among Key Development Partners

Over 2007–2011 ADB ranked as the top multilateral agency in cumulative loan disbursements

22. A large number of development agencies support operations in the Kyrgyz Republic, including (i) multilateral agencies, such as ADB, EBRD, the European Union, IMF, the Islamic Development Bank, United Nations agencies, and the World Bank; (ii) bilateral agencies, such as People’s Republic of China (PRC), Germany, Japan, Switzerland, United Kingdom, and United States; and (iii) nongovernment organizations, such as the Aga Khan Development Network and the Soros Foundation. Table A5.1 (Appendix 5) shows the relative important roles of development partners measured by cumulative disbursements of loans and grants over the past 5 years (2007–2011).<sup>20</sup> During this period, loans accounted for 61% of the cumulative disbursements by all development partners, whereas grants accounted for 39%. For loans and grants combined, the PRC has emerged as the biggest partner (contributing 33%), followed by the World Bank (29%) and ADB (25%). For loans alone, while the PRC has had the largest cumulative disbursements (53%), ADB’s role has been the biggest among multilateral agencies (21%), significantly larger than other MDBs such as the World Bank (12%) and the Islamic Development Bank (8%).

By sector, ADB’s role has been the largest in transport and education

23. Table A5.2 (Appendix 5) shows cumulative commitments of development partners by sector and overall for 1994–2009,<sup>21</sup> during which the World Bank and ADB were the biggest contributors, accounting for 37% and 31%, respectively. By sector, ADB’s role has been the largest in transport (68% vs. 14% by the World Bank) and education (47% vs. 29% by the World Bank), whereas the World Bank’s role has been the largest in energy (51% vs. 9% by ADB), ANR (44% vs. 34% by ADB), PSM (48% vs. 30% by ADB), and health (37% vs. 6% by ADB). In finance/PSD and WSS and urban development, the roles of ADB and the World Bank have been almost the same (about 25% and 45%, respectively). In summary, ADB’s major sectors include transport, education, ANR, finance/PSD, and PSM, whereas those of the World Bank include energy, PSM, ANR/rural development, finance/PSD/industry, and health. EBRD is the largest multilateral source of private sector financing, and has financed close to \$1 billion for projects in mining, microfinance, urban WSS, banking, and trade. Among the

<sup>19</sup> Including Swiss Development Cooperation, the United Kingdom’s Department for International Development, United Nations agencies, and the World Bank. The European Commission, Germany’s KfW, and IMF later joined the JCSS.

<sup>20</sup> The data in this table were official data provided by the government’s Ministry of Finance and regrouped/recalculated by the CAPE. The government did not provide data of support by the Russian Federation which also accounts for a large part external assistance to the country.

<sup>21</sup> The data in this table differ from those in Table A5.1 in that this table is based on cumulative “commitments” during 1994–2009, whereas Table A5.1 is based on cumulative “disbursements” during 2007–2011 (since there were no data from Table A5.1 available by sector). Because the PRC has only recently been providing support to the country, its share is not reflected in this table. Support from the Russian Federation is not also reflected in this table.

partners that have cooperated directly with ADB, Germany's KfW is active in urban WSS, credit lines for the private sector and housing finance, energy, and health. The Japan Bank for International Cooperation provided support in portions of the Bishkek-Osh Rehabilitation Project and the construction of the Bishkek Manas International Airport. The European Commission focuses on rural development, governance, economic reforms, and the social sectors. ADB coordinated closely with many development partners who helped cofinance a number of ADB projects (Table A5.3, Appendix 5). Detailed roles of other partners are provided in Table A5.4 (Appendix 5).

24. The small size of the Kyrgyz Republic has helped encourage close ties among development partners. The Development Partner Coordination Council (DPCC), which includes ADB, was formed in 2004. It meets monthly and has 21 members at present, with a coordinator hired using contributions by members. In addition, there are several sector- and theme-specific donor working groups which meet regularly as needed. ADB co-chairs the Energy Working Group with USAID and the Water Working Group with the Swiss Development Cooperation. ADB, the World Bank, and JICA agreed to coordinate activities in the transport sector in Central Asian countries and hold a number of meetings on the Kyrgyz transport sector. ADB financed the preparation of the Transport Master Plan. The government has been actively involved in aid coordination. The Kyrgyz Republic was selected as a pilot country during the February 2003 Rome Conference on Harmonization. In 2005, the government approved the National Action Plan on Aid Delivery Harmonization and Alignment.<sup>22</sup> The plan called for (i) aid delivery harmonization and alignment at the levels of national strategies and programs, (ii) financial management harmonization, (iii) procurement harmonization, and (iv) project management and implementation harmonization. Since then, key development partners have made good progress in harmonizing monitoring and reporting requirements and procurement procedures, sharing project implementation/management units (PIUs/PMUs), and conducting joint portfolio reviews. ADB and the World Bank have harmonized their procurement documentation. In addition, ADB, the World Bank, and other key development partners jointly prepared the JCSS.

25. After the political upheavals in April and June of 2010, and at the request of the government, a Joint Economic Assessment (JEA) was prepared by ADB, IMF, and the World Bank, with participation of some multilateral agencies. The JEA identified the need for more than \$1 billion in emergency reconstruction assistance to be allocated to meet essential public expenditures and services, to address the immediate needs of the internally displaced, and to rebuild destroyed buildings and infrastructure. The JEA served as the basis for an aid conference in July 2010, where development partners pledged a total of \$1.1 billion in emergency assistance. It has also served as the foundation for the government's 2011 reconstruction strategy and for a series of multipartner emergency operations.

**ADB, World Bank, and JICA coordinated their transport sector activities in Central Asian countries**

**National Action Plan on Aid Delivery and Harmonization approved in 2005**

**Joint Economic Assessment identified need for more than \$1 billion in reconstruction assistance**

<sup>22</sup> Government of the Kyrgyz Republic. 2005. *Kyrgyz Republic: National Action Plan on Aid Delivery Harmonization and Alignment*. Bishkek.

## CHAPTER 3

# Methodology

### A. Evaluation Framework

26. The methodology used in this CAPE follows the *Revised CAPE Guidelines*,<sup>23</sup> consisting of evaluation framework, approach, and method. The CAPE evaluation framework is in Appendix 6, showing how ADB's country strategies and assistance programs have been evaluated under each of the six criteria (strategic positioning, program relevance, efficiency, effectiveness, sustainability, and development impacts linked to the CSP pillars/objectives) and their corresponding subcriteria. The first criterion assesses the strategic positioning of ADB's country strategies to the Kyrgyz Republic during 1994–2010, whereas the other five criteria assess the performance of ADB's cumulative assistance programs (consisting of loans, grants, and ADTA) over the same period.

### B. Evaluation Approach: Key Evaluation Questions

27. The approach of the *Revised CAPE Guidelines* to assess the performance of ADB's country strategies and assistance programs has been to answer two types of questions: (i) evaluation-related questions, and (ii) country-specific questions.

28. **Evaluation-related Questions.** The CAPE will answer the following questions, using the six evaluation criteria to assess the performance of ADB's country strategies and assistance programs in each sector and overall in the three country strategies' periods combined:

- (i) **Strategic Positioning:** Were ADB's country and sector strategies doing the right things (right choices?) (i.e., were ADB's CSP strategic objectives (pillars) relevant/responsive to the Kyrgyz Republic's binding and non-major constraints or priority needs and the government strategies; and were ADB's country strategies well designed in terms of focus on certain sectors/areas, as per the Strategy 2020's, with proper intersector linkages to reinforce higher cross-sectoral outcomes and impacts; long-term continuity; partnerships; and modalities)?
- (ii) **Program Relevance:** Were ADB's country assistance programs, as delivered, relevant to the CSP strategic objectives and the Kyrgyz Republic's priority needs in each sector, and were key projects in each sector technically well designed?
- (iii) **Efficiency:** Were key projects in each sector under ADB's assistance programs implemented efficiently?

CAPE approach answers two types of questions: (i) evaluation-related questions based on the six criteria and (ii) country-specific questions in relation to major constraints and transition process

<sup>23</sup> ADB. 2010. *Revised Guidelines for the Preparation of Country Assistance Program Evaluations*. Manila.

- (iv) **Effectiveness:** Were key projects in each sector under ADB’s country assistance programs doing things right (done right?) by cumulatively achieving sector outcomes as planned?
- (v) **Sustainability:** Are the outputs and outcomes from ADB’s support in each sector likely to be sustained financially and institutionally?
- (vi) **Development Impacts and Link to the CSP Objectives (Pillars)** Have the sector outcomes from ADB support in each sector contributed to the Kyrgyz Republic’s achievement of development impacts (e.g., sustainable growth, poverty reduction, and other MDGs achievement), to achieve the CSP objectives?.

29. **Country-specific Questions.** The CAPE will use mainly (i) the strategic positioning criterion, to answer whether ADB’s three country strategies were doing the right things in terms of identifying the right strategic objectives (pillars) and focusing on the right sectors, with proper intersector linkages; and (ii) the results-related criteria such as the effectiveness (outcomes) and development impacts criteria, to answer whether ADB’s assistance programs have done things right in terms of helping address the country’s major constraints, and facilitate the transition process to achieve the CSP strategic objectives in each of the three periods and overall. A results chain will be prepared to trace sector outcomes (under the effectiveness criterion) to development impacts and finally to the CSP objectives under each of the three periods and overall.

### C. Evaluation Method and Limitations

30. **Method.** The *Revised CAPE Guidelines* propose the use of a triangulation method. This consists of a combination of quantitative and qualitative analyses, using both primary and secondary sources of data and information to form a meta evaluation, as follows: (i) primary data collected by the CAPE Mission in March 2012, based on focus group discussions and interviews with key government and executing agency staff, ADB Resident Mission staff, and other stakeholders; (ii) secondary data sources from IED’s sector assessments of six key sectors for the Kyrgyz Republic, project/program validation reports (PVRs), project/program performance evaluation reports (PPERs), and relevant special evaluation studies; and (iii) other secondary data sources from some documents—ADB’s country strategies, assistance programs, reports and recommendations of the President, TA papers, economic and sector work, back-to-office reports, project/program completion reports (PCRs), technical assistance completion reports (TCRs), government documents, and other relevant sources of documents.

31. **Limitations.** The assessments of the performance of ADB cumulative assistance in the six key sectors were undertaken in 2011 by the six sector assessments and were limited to projects and programs (and ADTA) that have been completed for which PCRs, PVRs, and/or PPERs (and TCRs) are available; and to projects and programs that were in the mature stage of implementation. Some updated data and information were collected during the CAPE Mission in March 2012. Neither the sector assessments nor the CAPE carried out any rigorous impact evaluation; hence estimates of the impacts of ADB assistance are in terms of “contributions,” rather than “attribution,” as it is difficult to disentangle the results of ADB support from those of others.

Triangulation method was used in this CAPE

Estimates of impacts are in terms of “contribution” rather than “attribution”

# Performance of ADB Support in Achieving the Country Strategy Objectives

32. This chapter assesses the performance of ADB's country strategies and assistance programs under each of the three periods in addressing the Kyrgyz Republic's constraints and facilitating the transition process linked to the CSP pillars/objectives in the respective periods, in Sections B–D, respectively. Overall/summary findings of the three periods combined are subsequently summarized in Chapter VI. However, prior to the assessment, the CAPE's overall coverage is explained first (in Section A below) to provide sufficient background for the assessment.

## A. CAPE's Overall Coverage (1994–2010)

33. Overall support in the three periods mentioned (1996–2003, 2004–2006, and 2007–2010) included 49 project and program/policy-based loans and grants (totaling 1.0 billion) and 52 ADTA operations (totaling \$28.2 million), approved during 1994–2010. A list of overall loans and grants is in Table A7.1 (Appendix 7), and a list of ADTA operations is in Table A7.2.<sup>24</sup> Of the 49 projects and programs, 41 were investment projects and 8 were programs.<sup>25</sup> ADB's financing started out as loans, but as the country's public debt situation reached a critical level in the early 2000s, there was a pronounced shift from loan to grant funding. The first ADF grant project was approved in 2005 in the education sector, and the number of grant projects increased markedly during the 2007–2010 JCSS. Of the 49 approved projects and programs, 31 included ADF loans for \$736.2 million, 13 included ADF grants for \$250.1 million, and 5 were based on JFPR grants for \$18.7 million.

34. Figure 4 and Table 3 (in the total column of loans and grants) show that the major sector for loans and grants has been transport (29%), followed by multisector (22%) (which included the first special loan to the country, emergency support related to natural disasters, and community-based infrastructure—mainly rural WSS). Other sectors had 10% or less. Figure 5 and Table 3 show that the situation has been very different for TA; the major part of which has gone to PSM (33%), followed by ANR (26%), finance/PSD (14%), and transport and the social sectors (12% each); whereas multisector has received 2% and energy 1%. This shows that the ADTA and loan/grant programs have gone different ways, and that the lack of project financing has

<sup>24</sup> For each of the three periods, lists of loans and grants and of ADTA are in Tables A7.3–A7.8 (Appendix 7).

<sup>25</sup> Of the eight program loans (totaling \$212 million), one was in ANR (\$40 million), four in finance/PSD (totaling \$78 million), two in PSM (totaling \$75 million), and one in education (\$19 million).

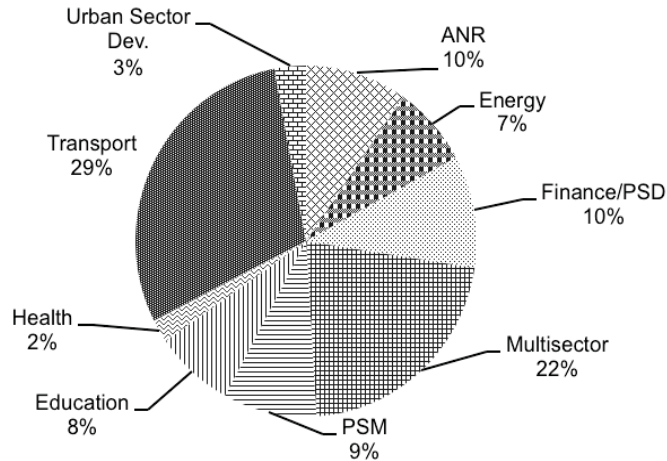
Overall support in the three periods included 49 loans and grants and 52 ADTA

Transport has been the biggest sector for loans and grants

A major part of TA operations has gone to public sector management

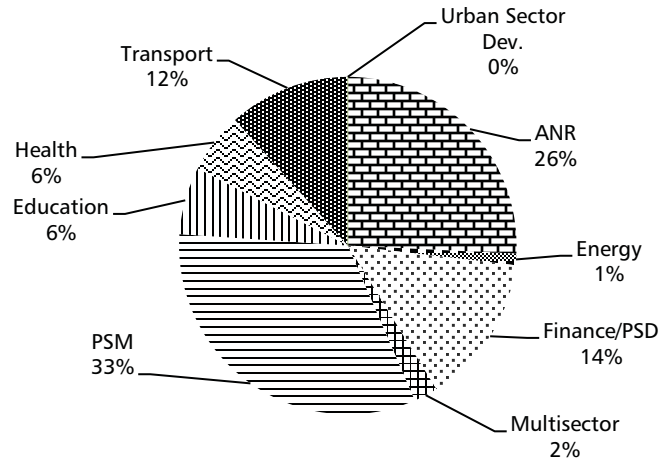
sometimes been compensated for by more TA funding for capacity development and policy advice.

**Figure 4: Sector Shares of Loans and Grants In Three Periods Combined (1994–2010, in %)**



ANR = agriculture and natural resources, Dev. = development, PSD = private sector development, PSM = public sector management.  
 Source: Summarized from Table A7.1 (Appendix 7).

**Figure 5: Sector Shares of ADTA in Three Periods Combined (1994–2010, in %)**



ADTA = advisory technical assistance, ANR = agriculture and natural resources, Dev. = development, PSD = private sector development, PSM = public sector management.  
 Source: Summarized from Table A7.2 (Appendix 7).

**Table 3: Composition of Loans, Grants, and ADTA by Sector in Three Periods and Overall**  
(1994–2010, in \$ million and %)

Sector	Loans and Grants				ADTA				Total Loans, Grants, and ADTA			
	1994–2003	2004–2006	2007–2010	Total	1994–2003	2004–2006	2007–2010	Total	1994–2003	2004–2006	2007–2010	Total
ANR	76.0	1.0	20.0	97.0	5.8	1.4	-	7.3	81.8	2.4	20.0	104.3
	14%	1%	5%	10%	26%	32%	-	26%	15%	3%	5%	10%
Energy	30.0	-	44.8	74.8	0.3	-	-	0.3	30.3	-	44.8	75.1
	6%	-	11%	7%	1%	-	-	1%	5%	-	11%	7%
Finance/PSD	63.5	23.0	17.4	103.9	3.0	1.1	-	4.1	66.5	24.1	17.4	108.0
	12%	30%	4%	10%	13%	24%	-	14%	12%	29%	4%	10%
Multisector	86.0	1.0	130.0	217.0	0.7	-	-	0.7	86.7	1.0	130.0	217.7
	16%	1%	33%	22%	3%	-	-	2%	16%	1%	33%	21%
PSM	79.0	-	10.0	89.0	7.3	0.7	1.2	9.2	86.3	0.7	11.2	98.2
	15%	-	3%	9%	32%	15%	100%	33%	16%	1%	3%	10%
Education	32.7	19.0	23.7	75.4	1.8	-	-	1.8	34.5	19.0	23.7	77.2
	6%	24%	6%	8%	8%	-	-	6%	6%	23%	6%	7%
Health	20.5	1.0	-	21.5	1.1	0.5	-	1.6	21.6	1.5	-	23.1
	4%	1%	-	2%	5%	11%	-	6%	4%	2%	-	2%
Transport	145.0	32.8	118.6	296.4	2.5	0.8	-	3.3	147.5	33.6	118.6	299.7
	27%	42%	30%	29%	11%	18%	-	12%	27%	41%	30%	29%
Urban Sector Dev.	-	-	30.0	30.0	-	-	-	-	-	-	30.0	30.0
	-	-	8%	3%	-	-	-	-	-	-	8%	3%
Total Amount of												
All Sectors	532.7	77.8	394.5	1,005.0	22.5	4.5	1.2	28.2	555.2	82.3	395.7	1,033.2
Total % by Period	53%	8%	39%	100%	80%	16%	4%	100%	54%	8%	38%	100%

- = zero, ADTA = advisory technical assistance, ANR = agriculture and natural resources, Dev. = development, PSD = private sector development, PSM = public sector management.

Source: Summarized from Tables A7.1 and A7.2 (Appendix 7).

## B. First Country Strategy Period (1996–2003)

The 1996–2003 COS objectives included supporting reforms, encouraging private sector-led growth, and fostering human/social development

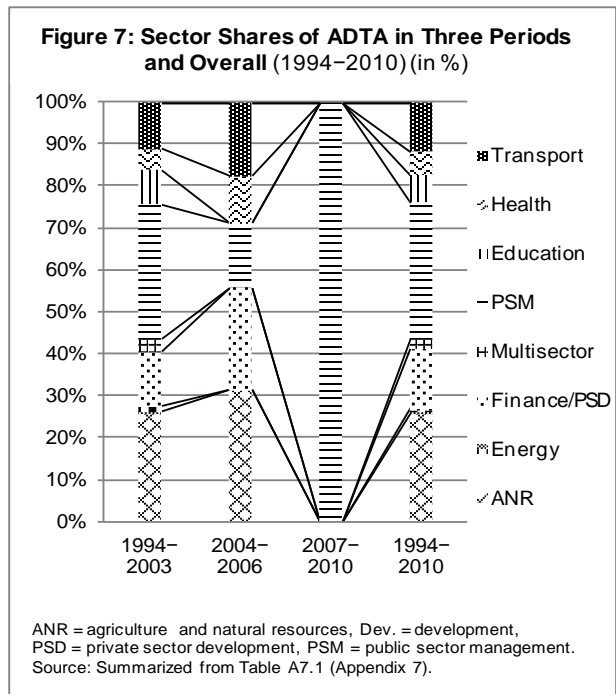
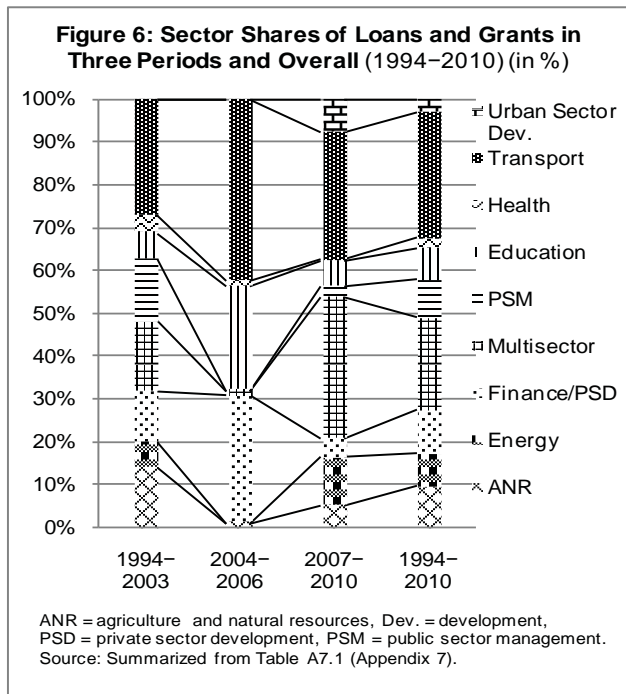
35. In the first period of ADB assistance, the key strategic direction was to help build a market economy under the three strategic pillars/objectives: (i) supporting reforms, (ii) encouraging private-sector led growth, and (iii) fostering human/social development. The COS strategic positioning, in terms of its pillars/objectives, was highly relevant to the country's priority needs and to the government's 1996–1998 Indicative Social-Economic Plan, which focused on (i) building a competitive market system, (ii) public sector reform, and (ii) PSD. It was also highly relevant to ADB's corporate strategy at that time (i.e., the 1995–1998 Medium-Term Strategic Framework), which focused on economic growth, human resource development, poverty reduction, women in development, and environmental protection. Over the three periods combined, most of the ADB support to the Kyrgyz Republic was concentrated in the first period (53% of the total loans and grants and 80% of the total ADTA) (see the last row of Table 3). This reflected ADB's early/timely responsiveness to the country's urgent needs to transform itself into a market economy, and to the country's postdisaster emergency needs.

36. Since most of the ADB assistance was concentrated in the first period, the sector shares for both lending assistance and nonlending ADTA in the first period did not differ much from those in the three periods combined (see the first and last bar charts of Figure 6 for loans, and Figure 7 for ADTA). That is, the major sector for loans has been transport (almost 30% both in the first period and in the three periods combined), reflecting ADB's attempt to support infrastructure needed to stimulate

growth and to reduce geographical constraints. The relatively high multisector lending shares (16% in the first period and 22% in the three periods combined) reflected ADB’s attempt to address the country’s vulnerability to natural disasters through emergency response assistance, although community-based infrastructure or the rural WSS subsector was also included under multisector. The major sector for ADTA has been PSM (about 30% both in the first period and in the three periods combined), reflecting ADB’s attempt to overcome weak institutions and governance through advisory and capacity development-oriented work rather than lending, and to introduce reforms needed for a market economy.

37. In the first period alone, lending to the transport sector consisted of a series of road rehabilitation projects to ensure long-term continuity in addressing the country’s connectivity constraints and facilitating economic growth and the transition process. This was followed by multisector (16%), PSM (15%), ANR (14%), finance/PSD (12%), the social sectors (education and health combined, 10%), and energy (6%). Since ADB assistance in the first period was spread rather thinly, covering too many sectors/subsectors (including rural WSS subsector classified under multisector), the CAPE assesses the COS strategic positioning in this first period as *satisfactory*, rather than highly satisfactory, despite the high relevance (para. 35) of the COS pillars/objectives and the continuity in improving the country’s road network and connectivity.

CAPE assesses the COS strategic positioning in the first period *satisfactory*



38. The performance of ADB support in contributing to the three COS pillars/objectives combined in this first period was *satisfactory*, with generally positive results under the three COS pillars, as shown in a results chain (Figure A8.1, Appendix 8) linking contributions of ADB’s sector outcomes to the country’s achievement of development impacts with the three COS pillars/objectives: (i) supporting reforms, (ii) encouraging private sector-led growth, and (iii) fostering human/social development. Institutional development effects and gender effects are also shown as part of the outcome/impact indicators in some sectors in Figure A8.1 (Appendix 8).

ADB support to the COS objectives in the first period was *satisfactory*



### C. Second Country Strategy Period (2004–2006)

The 2004–2006 CSP objectives included promoting private sector-led growth, and supporting human development

39. In the second period of ADB support, the key strategic direction of the 2004–2006 CSP was to help strengthen inclusiveness under the overall strategic pillar/objective of reducing poverty through (i) promoting private sector-led growth, and (ii) selective support for human development. The CSP strategic positioning was highly relevant to the country’s priority needs and to the government’s plan at that time (i.e., the 2003–2005 NPRS), which focused on poverty reduction through inclusive private sector-led growth. It was also highly relevant under ADB’s corporate strategies at that time (the 1999 Poverty Reduction Strategy and the 2001–2015 Long-Term Strategic Framework), focusing on pro-poor growth, inclusive social development, and good governance.

40. Table 3 shows, however, that ADB support in the second period constituted only 8% of all loans and grants and 16% of all ADTA. Figures 6 and 7 show that ADB support in the second period became more focused, especially on transport (42% for loans and grants, and 18% for ADTA) and finance/PSD (30% for loans and grants, and 24% for ADTA) to continue promoting private sector-led growth. A secondary focus was on the social sectors (25% for education and health combined for loans and grants, and 11% for ADTA), to make the growth more inclusive. Also, ADB initiated innovative poverty-related, disaster risk reduction support (under multisector) through a JFPR grant to help the poor prepare for natural disasters. Unlike ADB’s postdisaster emergency rehabilitation support, this was a first step aimed at building the institutional capacity of the government and local communities to minimize the risks of natural disasters. Civil society and other stakeholders (e.g., the World Bank) were extensively engaged. Thus, the CSP’s strategic positioning in the second period was *highly satisfactory*.

CAPE assesses CSP’s strategic positioning in the second period *highly satisfactory*

41. The CAPE finds ADB support for contributing to the two CSP pillars/objectives combined in the second period *satisfactory*, as shown in a results chain (Figure A8.2, Appendix 8) linking contributions of ADB’s sector outcomes to the country’s achievement of development impacts with the two CSP pillars/objectives: (i) promoting private sector-led growth, and (ii) selective support of human development. Institutional development effects and gender effects are also shown as part of the outcome/impact indicators in some sectors in Figure A8.2 (Appendix 8).

### D. Third Country Strategy Period (2007–2010)

The 2007–2010 JCSS objectives included contributing to sustainable growth and attaining poverty reduction and other MDGs

42. The key strategic direction of the 2007–2010 JCSS focused on promoting regional cooperation and integration under two strategic pillars/objectives: (i) contributing to sustainable growth, and (ii) attaining poverty reduction and other MDGs. The JCSS strategic positioning was highly relevant to the country’s priority needs. It was also highly relevant to the government’s 2007–2010 CDS and 2009–2011 revised CDS, which focused on improving the quality of life through the quality of growth and environment. It was also highly relevant under the ADB Strategy 2020 objectives and was a good initiative to enhance partnership. Within the education sector, there was a shift from the basic education subsector to the vocational education and skills development subsector, which is appropriate for two reasons: (i) it will help the “inclusiveness” of growth by providing necessary skills to enhance employability for adults and out-of-school youths; and (ii) it divides responsibilities with other key development partners, such as the World Bank, which will continue supporting basic education with other partners. The JCSS was jointly prepared in partnership with other key partners (footnote 19).

43. Table 3 shows that ADB support in the third period constituted 39% of all loans and grants and only 4% of all ADTA. Figure 6 shows that ADB support spread into many sectors/subsectors as in the first period, including the rural WSS subsector (classified under multisector), with a supplementary grant provided to the earlier low-performing project initiated in the first period. The JCSS' strategic positioning is considered *satisfactory*, due to the high relevance of the JCSS pillars/objectives and the joint JCSS preparation with other key partners despite some design shortcomings.

44. The CAPE finds ADB support in contributing to the two JCSS pillars/objectives combined in the third period likely *satisfactory*, since many projects are still ongoing but with generally good progress (except for the supplementary grant in rural WSS, which was suspended by ADB due financial and procurement irregularities), as shown in a results chain (Figure A8.3, Appendix 8) linking contributions of ADB's sector outcomes to the country's achievement of development impacts with the two JCSS pillars/objectives: (i) achieving private sector-led sustainable growth, and (ii) attaining poverty reduction and other MDGs. Institutional development effects and gender effects are also shown as part of the outcome/impact indicators in some sectors in Figure A8.3 (Appendix 8).

### E. Three Periods Combined (1994–2010)

45. Findings of the overall performance of ADB support for the three periods combined in addressing the country's major constraints and facilitating the transition process to achieve the overall ADB's CSP pillars/objectives are summarized in Chapter 6 (Section B) and in Figure A8.4 (Appendix 8).

JCSS' strategic positioning is considered *satisfactory*

ADB support to the JCSS objectives in the third period is likely *satisfactory* in view of many ongoing projects with good progress

## CHAPTER 5

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# Performance of ADB Support under the Six Evaluation Criteria

46. While the focus of the previous chapter was to answer country-specific questions, the focus of this chapter is to answer evaluation-related questions under the six criteria (strategic positioning, program relevance, efficiency, effectiveness, sustainability, and development impacts) in terms of integrated sector assessment.

### A. Strategic Positioning

47. The assessment of strategic positioning considers how well ADB's country strategies were positioned, based on five subcriteria: (i) relevance/responsiveness to the government's development priorities in addressing the country's binding and non-major constraints; (ii) focus on ADB's comparative advantage sectors/areas in relation to ADB's Strategy 2020, with proper sector linkages to mutually reinforce complementary cross-sectoral outcomes/impacts; (iii) long-term continuity of support or internal coherence in certain sectors/areas, with appropriate instruments/modalities; (iv) partnerships with other development partners or external coherence in certain sectors/areas to increase synergies; and (v) design quality of the country strategies' results frameworks and of sector strategies (e.g., attention to address sustainability prospects during the design stage). See allocation by sector for loans and grants and for ADTA in Tables A7.1 and A7.2 in Appendix 7, respectively.

48. **Transport.** ADB's strategic positioning in the transport sector is assessed as *satisfactory*. Over the three strategic periods combined, ADB has been providing a series of 7 loans and 3 grants<sup>26</sup> (Tables A7.1, Appendix 7), and some ADTA support for policy and institutional reforms in the transport sector (Table A7.2, Appendix 7), accounting for about 30% of total ADB support over the entire period. This long-term continuity of support was highly relevant to the country's needs and the government's and ADB's strategic priorities to overcome one of the country's key major constraints to economic growth, posed by infrastructure bottlenecks, poor connectivity, and

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<sup>26</sup> In the first period of ADB's COS (1994–2003), ADB's key support to improve the country's road network included three projects to rehabilitate the Bishkek-Osh road to connect the north and south of the country where a large number of ethnic minorities live (see projects' outcomes and contributions to development impacts in Table A8.1, Appendix 8). The Bishkek-Osh road is the country's main transport corridor as it (i) traverses four of the country's seven regions; (ii) serves about half of the country's population (75% of whom were extremely poor at the start of the first project); (iii) connects the country's two major urban centers (which together account for over half of the country's GDP and 80% of its industrial enterprises); and (iv) represents about one third of the total core regional road corridor network of the country, linking to Uzbekistan and Tajikistan in the south, the PRC in the southeast, and Kazakhstan in the north. Poor maintenance from the FSU era had resulted in serious deterioration of many sections which were often subject to periodic closure in winter months due to unsafe traffic conditions.

ADB's long-term continuity of support to transport is highly relevant to the country's needs

geographical isolation, all of which contributed to high transport costs. The break-up of the FSU rail system meant that roads would need to play a greater role in transport systems, and these needed to be developed despite a chronic shortage of funds. Early on, ADB recognized that there was a need for strategic investments, restructuring of sector institutions, and more sustainable financing of transport systems in all three periods of ADB's country strategies.<sup>27</sup> National transport development strategies were also aligned with strategies developed, under CAREC, to improve transport and trade facilitation.<sup>28</sup> The government's main sector development plans have been formulated with ADB support.

49. ADB has made an appropriate use of a range of assistance instruments, with projects financing investments and ADTA supporting policy/strategy formulation as well as institutional capacity development. ADB has become the lead partner in the sector and has been able to leverage this position to support various reforms and attract cofinancing in some projects. ADB support for regional projects through CAREC has enabled ADB to make use of its comparative advantage. However, while ADB's transport strategies in the three periods were highly relevant, there were also some design weaknesses in terms of inadequate attention to road maintenance. Efforts to earmark taxes for a road fund were never properly capitalized and its main revenue source, the company road tax, was cancelled in 2009. The targeted reforms were complex and far-reaching and would have required a longer time to come to fruition. The reforms should therefore have been pursued under a series of projects, rather than under the relatively short time span of an individual project.

50. **Finance and Private Sector Development.** ADB's strategic positioning in the finance/PSD sector is assessed as *satisfactory*. Since the start of operations in the Kyrgyz Republic, ADB's sector strategies have been closely aligned with the government's strategic objectives of promoting the country's transition from a command to a market-based economy and fostering private sector-led economic growth. The strategies of both the government and ADB also recognized that at the core of a market economy is a sound, efficient financial sector. ADB has recognized that reform in this area is a long-term process, and has supported a series of reform programs in financial sector development, investment climate improvement, and trade facilitation through regional customs cooperation and modernization<sup>29</sup> that were linked to capacity development assistance.

ADB and government strategies recognized a sound, efficient financial sector as the core of a market economy

<sup>27</sup> Another important road rehabilitation project in the first period of ADB's COS (1994–2003) was the Almaty-Bishkek Regional Road Rehabilitation. It aimed to improve road efficiency and bring isolated domestic markets in Kazakhstan and the Kyrgyz Republic into one integrated regional market. It also aimed to promote economic growth through increased trades and access to economic mainstream, thus reducing poverty; modernizing customs control; supporting the ratification and implementation of cross-border agreement; and improving the management of road safety and maintenance. It is an important regional road as it links between the road corridors that connect the Far East with Europe and the Fergana Valley with Russia. It is also important as it is part of the east-west corridor passing through the PRC's Urumqi and the state capitals and most commercial centers in the Central Asian republics; and links two important north-south roads in Kazakhstan (Almaty-Astana) and the Kyrgyz Republic (Bishkek-Osh).

<sup>28</sup> In the second period of ADB's CSP (2004–2006), ADB supported the rehabilitation of part of the Southern Transport Corridor, where the majority of the poor live, to increase access to market, regional trade, economic growth, and poverty reduction. The rehabilitated road is part of a CAREC corridor that links the PRC, the Kyrgyz Republic, Tajikistan, and Uzbekistan; and connects the Bishkek-Osh road, It also extends southwards and westwards to Afghanistan and Tajikistan (see project's outcomes and contributions to development impacts in Table A8.2, Appendix 8).. In the third period of ADB's JCSS (2007–2010), ADB supported CAREC Regional Road Corridor I (projects 1 and 2) and CAREC Regional Road Corridor Improvement, all of which are still ongoing.

<sup>29</sup> Support for customs cooperation and modernization could also be classified under the PSM sector since it also contributed to increased government revenue. But the CAPE classifies it under the finance/PSD sector due to its nature of helping facilitate regional trade and services

**ADB's 2003 and 2007 country strategies were led by in-depth private sector assessments**

51. ADB's 2003 and 2007 country strategies were guided by in-depth private sector assessments, and programs and TAs in this area have built on lessons from previous operations. ADB's diagnosis has been generally sound and aimed at reforms that had a high-priority with the government (i.e., restoring confidence in the financial markets, facilitating regional trade, enhancing the regulatory environment for private investment, facilitating private sector participation in infrastructure development, and developing the financial markets). Support has been generally well phased, and a suitable range of assistance instruments as been deployed. Subsector activities have been generally well identified and sequenced, with the exception of the provision of a line of credit for rural credit cooperatives in the absence of an adequate policy or regulatory framework for the development of credit unions, and premature support for capital market development, given the state of the financial sector. ADB has coordinated its efforts well with other partners, with no evidence of duplication; and the involvement and common stance of a number of development partners in policy dialogue related to banking, trade, and investment climate reforms has helped move the reform agenda along.

**ADB's support focused on areas of corporate governance / enterprise reform; tax administration reform; aid coordination and management; and strategic planning, monitoring, and economic policy**

52. **Public Sector Management.** ADB's positioning in the PSM area is assessed as *satisfactory*. ADB's support has focused on four related areas: corporate governance/enterprise reform; tax administration reform; aid coordination and management; and strategic planning, monitoring, and economic policy. ADB's support has been aligned with the priorities of successive government strategies, with the externally supported CDF for 2000–2010, and with the CDS for 2007–2010 and 2009–2011. ADB did identify and work over an extended period of time on a number of important areas within the greater PSM universe, and ADB's support was broadly consistent with the evolving approach to PSM support. Alignment with government strategies and priorities was difficult. While the government has emphasized various aspects of improved PSM over the past 2 decades, the lack of a clear, coherent, and properly sequenced strategy for PSM reform meant that ADB and other partners' interventions in this area tended to be ad hoc and intermittent. ADB has deployed different instruments to support reform and capacity development in the PSM area.

53. ADB's PSM portfolio between 1994 and 2010 included two program loans, one TA, one grant, and a large number of ADTA operations, many of which are stand-alone and not well integrated with the lending program. Support for PSM was substantial in the early years of ADB's engagement, but declined significantly since 2007. In the early years of the transition process, ADB's PSM support was focused on building the legal and regulatory institutions in support of the private sector and on contributing to the privatization of SOEs. This was in line with the government's Concept of Economic and Social Development of the Kyrgyz Republic until 2000, which gave primacy to reforming the state to create the rudiments of a private sector. At the same time, while ADB and World Bank operations came to dominate public borrowing, ADB provided support to build government capacity to utilize international financial institution (IFI) resources, assisted the government in formulating a national development strategy, and then helped the government to develop its public investment program. In the economic policy area, ADB assisted the government to build its fiscal and monetary policy capacities and then to develop an oblast level monitoring system linked to the country-level monitoring for the NPRS. A full-fledged governance assessment was undertaken in 2003, which improved ADB's and other stakeholders' understanding of the governance situation.

54. With the change of government in 2005, the emphasis of ADB's PSM support shifted to improving the governance of the private sector. Assistance was provided for

tax reform, in an effort to combat corruption and improve public administration. Throughout this time, there was collaboration with other partners in the formulation of the CDF and the 2007 JCSS and in the specific PSM areas in which ADB was engaged. There is little evidence, however, that ADB took into consideration the government's limited absorptive capacity, the challenges created by frequent turnover of senior government staff, the mounting public debt, and insufficient restraints on corruption and abuse of authority throughout all levels of government. ADB's assistance in the PSM area tended to start and stop, undermining the long-term continuity needed to sustain reforms and develop capacity. Currently, ADB has no strategy for either engaging in or disengaging from support in any of its PSM areas of concentration. While results were tracked at an activity level, what ADB was endeavoring to accomplish at a more strategic level in the PSM area was neither targeted nor tracked.

55. **Agriculture and Natural Resources.** ADB's strategic positioning in the ANR sector is assessed as *less than satisfactory*. ADB's initial sector diagnosis was broadly correct, with a recognition that ANR plays an important safety net function, and that with reform, the sector could have significant potential for growth and employment creation. In line with a series of government sector strategies and policies, this led to an initial emphasis on land privatization, market liberalization, extension service development, and irrigation modernization. Thereafter, under the JCSS (2007–2010), the emphasis switched to commercialization, diversification of agricultural production, environmental sustainability, and export promotion. ADB's comparative advantage, geographical focus, sequencing of assistance, and development consultations with major stakeholders were satisfactory.

56. The positioning of ADB support has, however, deteriorated in recent year since ADB changed course, with the cancellation of the Southern Agriculture Area Development Project (SAADP) in 2009, not in line with the JCSS. It was also not properly coordinated with other partners, especially the World Bank, which had partnered with ADB in support of the rehabilitation of on-farm irrigation, pasture management, and the strengthening of water user associations. In addition, the results-orientation of ADB support in the sector was inadequate. While a sector results framework was included in the JCSS, several indicators were too broad, others were unrealistic, and there were few indicators related to possible outcomes of ADB support.

57. **Education.** ADB's positioning in the education sector is assessed as *satisfactory*. The main thrust of ADB's education sector support was to assist the government in transforming the former education system into a modern, cost-effective, and sustainable education system suitable for meeting the needs of a democratic and market-led society. This was fully consistent with the country's needs and government priorities. ADB's diagnosis saw the decline in human capital as an avoidable phenomenon, with severe implications for the long-term development of the country. A master plan for basic education was developed in the mid-1990s to minimize setbacks, while helping to build the long-term capability of the economy and society. ADB had seized quite well upon the issues of restructuring and the rationalization of the school system. Improvements in policy planning and efficiency were sound and well targeted.

58. ADB moved strategically, addressing policy reforms, capacity development, and pedagogical reforms. ADB has assisted the government to prepare the Training and Master Plan for the country and has secured cofinancing for the basic education sector program. Support was provided for sector policy reform; for basic, secondary, and vocational education and skills development; and for improved access for children with

There is little evidence that ADB looked into the government's limited absorptive capacity and challenges created by high turnover of senior government staff

ADB support deteriorated with the cancellation of the SAADP

ADB's main support was towards a modern, cost-effective, and sustainable education system

While others provide primary and secondary education support, ADB plans to support vocational and tertiary education

ADB focus is on mother and child health, and early childhood development

*Satisfactory* overall assessment with emphasis on private sector and public institutions shifting towards transport; improving transport corridors and interregional connectivity

special needs. And ADB has deployed a full array of instruments for assisting the education sector. ADB is currently processing the Second Vocational Education and Skills Development project, which is included in the 2011–2012 COBP. As set forth in the Education by 2020 Sector Operations Plan, ADB plans to take a lead in vocational and tertiary education, while a number of other development partners are supporting the primary and secondary education subsectors. Sector results indicators for the education sector were well defined in the projects, programs, and TA. These were linked to sector master plans, which were then further reflected in the 2003 Joint Portfolio Review and the JCSS results frameworks. Financing, however, has been a major education sector constraint.

59. **Health.** In health, ADB's strategic positioning is assessed as *satisfactory*, with focus on strengthening social services delivery to improve mother and child health, reducing neonatal mortality, and early childhood development both to improve child health and increase the potential for preschool children to enter the basic education system, all of which were related and linked to the MDG indicators on health. ADB was a signatory to support for the health sector reforms. ADB's participation in the World Bank-led sector-wide approach was not confined to pooling financial resources, but ADB was regarded as a parallel financier. To date, development partners and the government continue to request ADB's return to the health sector, and ADB continues to participate in the discussions on the health sector reforms.

60. **Overall Assessment of Strategic Positioning.** The CAPE assesses the strategic positioning of ADB's country strategies as *satisfactory*, with some shortcomings. ADB has based its support on a careful analysis of the economy and has aligned its support with ADB corporate and government strategies, many of which ADB helped prepare. In the early years of transition, ADB focused heavily on enterprise reforms in PSM, finance/PSD, and ANR. The emphasis was on creating a private sector and restructuring public institutions. In more recent years, emphasis has shifted more towards transport, with a focus on improving the main transport corridors and boosting interregional connectivity. The government and other partners recognize infrastructure as one of ADB's strengths and it is also one of Strategy 2020's core areas. Since 2005, ADB has phased out of support in the health and ANR sectors, and has sharply narrowed the scope of its support for PSM and finance. Greater sector focus appears to have been dictated by the ADF financing constraints—indeed, the abrupt withdrawal of ADB support in ANR, for example, runs counter to commitments made under the 2007 JCSS.

61. ADB has used a variety of lending and grant assistance modalities in the Kyrgyz Republic, and, while the choice of assistance instruments was generally appropriate, the application of TA to develop capacity and guide policy reforms was rather ad hoc, particularly in PSM, and not integrated into overall assistance programs. TA loans, for example, could have been employed to bolster government ownership and build more sustained ownership of capacity development efforts. Coordination of country strategies has been facilitated by the country's CDF and the JCSS, and ADB has played an important role, as in the aid working groups for transport and education. In practice, aid coordination remains largely informal, and the lack of a central focal point in government for aid coordination hampers aid effectiveness. A significant shortcoming of ADB's country strategies has been the limited degree to which government's absorptive capacity was taken into consideration in the choice of sectors, activities, and the design of interventions. A more candid assessment of reform ownership, adequacy of project management arrangements, fiscal accountability systems, and public sector staffing may have contributed to a less scattered program, with proper sector linkages to generate complementary cross-sectoral outcomes/impacts earlier on. Although the

JCCS included a results framework, many of the indicators lacked specificity and bore little relationship to ADB's assistance programs.

## B. Program Relevance

62. The assessment of program relevance considers how well ADB's country assistance programs were designed, based on four subcriteria: (i) consistency with ADB's country strategies; (ii) relevance of the objectives of key projects/programs (provided under ADB's country assistance programs) to the corresponding sector priorities/objectives; (iii) design quality of key projects/programs in terms of technical aspects; and (iv) quality of key projects/programs' design and monitoring frameworks (DMFs) in terms of evaluability.

**Project designs were strong and aligned with strategic priorities**

63. **Transport.** ADB's transport program is assessed as *relevant*. ADB's loan projects and TA operations were aligned with sector strategies and priorities. ADB assistance aimed to develop an efficient policy and regulatory framework, improve road funding, enhance safety standards, help privatize certain state-owned entities, improve cross-border regulations, improve road maintenance, restore the main road network, and develop regional transport links that were deemed critical to a landlocked country. Project designs were generally strong and in line with strategic priorities, but at times did not take into account actual conditions on the ground. For example, efforts were made to support PSD by trying to outsource the maintenance of major road works to private contractors, but this was premature, given the limited capacity of the private sector. Better baseline diagnostics would also have avoided a major design change and cost overrun in the CAREC Regional Road Corridor Improvement project.

**Project designs were responsive to a transitional economy**

64. **Finance/Private Sector Development.** The program in Finance/PSD is assessed as *relevant*. It was in line with the needs of the Kyrgyz Republic and was closely aligned with the initiatives and perceived absorptive capacity of the government. However, institutional capacity and reform commitment have been increasingly affected by political changes and political economy factors, which were not always anticipated or adequately addressed in the design of ADB programs. The design of key policy measures was generally in line with good practices. However, ADB-supported legislation for the new financial market agency was incompatible with the country's constitution. Also, the introduction of deposit insurance was premature, since it was introduced at a time when restructuring of the banking sector was still ongoing. Project designs have been responsive to the requirements of a transitional economy, although the timing or suitability of some of the proposed measures can be questioned. For example, provision of a credit line for rural credit cooperatives in the absence of a functioning legal and regulatory framework for such institutions was not appropriate. In addition, efforts made to reduce dependence on commercial banks by encouraging expansion of capital and equity markets may have been premature. Finally, while positive steps were taken to improve trade facilitation, the time allowed for reform was too short and too ambitious. There has been a noteworthy emphasis on results in this sector—DMF project frameworks were generally adequate and have become more specific and target oriented over time.

**Trade facilitation was improved but time for reform was short and ambitious**

65. **Public Sector Management.** ADB's PSM program is assessed as *relevant*. The vast majority of ADB-supported PSM activities were consistent with government priorities and with priorities for PSM support defined in successive country strategies and updates. Support in the corporate governance area was in line with ADB's strategic approach to support transition to a market economy. Support in the tax administration area was consistent with public administration priorities highlighted in the country's



Support in the PSM area suffered from major design deficiencies

CDS and the JCSS. Support for aid coordination and strategic planning, monitoring and economic policy reform were essential for the government to make use of external aid and to design and manage its public investment program. With the exception of ADB support for tax reform, other support in the PSM area suffered from major design deficiencies. In particular, the sequencing of reforms did not fully take country conditions into account, and insufficient time was allocated to see reforms through for implementation. Program assistance in corporate governance, for example, was mounted at a time when the economy was collapsing, and the basic prerequisites for such a program to succeed, in terms of the rule of law and a functioning property rights system, had not yet been established. Moreover, corporate governance reform was not complemented by broader public sector and PSM reforms, and important contextual factors were underestimated, especially rent-seeking behavior by the public sector and poor financial sector governance and performance.

ADTA activities in aid coordination and economic policy reform were intermittent and ad-hoc

66. ADTA activities in aid coordination and economic policy reform were mounted in an intermittent, ad-hoc manner; training needs of government were not adequately assessed; and support was provided without a long-term strategy for building government institutions. In several cases, TA resources were exhausted by the time the government needed them for implementing recommendations made under various ADTA activities. By contrast, more recent support in the tax administration area is a significant improvement over previous assistance. Its design takes the country context into consideration. It carefully complements other partner support, incorporates important lessons from tax administration support elsewhere, includes a well-defined set of design-and-monitoring frameworks, pilot-tests reforms, corrects deficiencies, and then scales up interventions.

ANR project designs were ambitious with insufficient time for legislative and institutional changes

67. **Agriculture and Natural Resources.** ADB support in ANR is assessed as *relevant*. It was generally consistent with ADB sector and country strategies until agriculture was dropped as a priority sector in the COBP 2009–2011. The ANR sector program started with the Agriculture Sector Program (ASP) loan in 1995, which was a landmark operation in support of the rural transition process. Since then, only two projects (one investment loan and one small JFPR grant) were completed. In 2009, the closing of the Southern Agriculture Area Development Project and two associated grants signaled ADB's abrupt withdrawal from the sector.<sup>30</sup> Project, program, and TA designs were relevant to the country's needs and government's priorities in the sector. These built on a solid diagnostic understanding of sector constraints, drew on lessons learned from past experience, were linked to capacity development ADTA, and were formulated together with inputs from other development partners. However, project designs were overly ambitious, with insufficient time allocated for legislative and institutional changes; implementation hampered by complex project designs with too many components; and inadequate assessment of the capacity and ownership of implementing agencies to mount ADTA implementation. Project results tracking has been relatively weak, with insufficient attention paid to collecting baseline data and to monitoring arrangements in order to trace the outcomes of ADB support.

68. **Education.** The education sector program is assessed as *relevant*. ADB's education sector program was in line with ADB's country operational strategies, as well as with the government's education sector strategies. In the first two periods, the focus of ADB support was on basic education under the Education Sector Development Program and Second Education Development Project. Support was designed to address

<sup>30</sup> The project was cancelled after 8 months of implementation due mainly to significant project implementation problems (e.g., poor performance of the PIU director and delays in completing civil works) and to some extent perceived irrelevance to Strategy 2020.

a number of problems that the Kyrgyz Republic faced at independence, including budgetary constraints, non-enrollment of the school-age cohort, dropout of enrolled pupils, arrears in the payment of teachers' salaries, and deteriorating physical infrastructure in school premises. In addition, the Kyrgyz education system needed capacity development in policy planning, management, financing, equitable access, and improvements in the quality of education. In the third period, ADB support shifted to the vocational education subsector and the need to address the country's skills shortage.

**ADB support shifted to vocational education and to the country's skills shortage**

69. The Education Sector Development Program responded to these multiple challenges well. Its scope included policy reforms, specific investments focused on pre-school and basic education under project investments. Project objectives were in line with sector strategies and with the directions set out in the Education Master Plan. Project design was somewhat overambitious, however, the second project scaled back at midterm to focus on strengthening schools in the poorest districts, and the external training and distance education components cancelled.

70. **Health.** ADB's program in health is assessed as *relevant*. It was consistent with both ADB's health sector and country operation strategies. Project and TA interventions were consistent with ADB's Policy for the Health Sector. These were also in line with the National Health Reform Programs (Manas 1996–2006 and Manas Taalimi 2006–2011). ADB's health support focused on priority areas including maternal and child health, and provided support through good quality investment and grant projects. The program introduced key innovations for ensuring community participation in health service delivery, and paved the way for piloting a public-private partnership (PPP) modality in the essential drugs supply scheme. ADB's support required follow-on interventions in the health sector that did not materialize. Health projects did include design and monitoring frameworks, although indicators and targets were not always clearly identified.

**Support introduced innovations in health service delivery and PPP modality in the essential drugs supply scheme**

71. **Overall Assessment of Program Relevance.** ADB's country assistance programs are rated *relevant* overall. The sector programs were generally consistent with sector strategies. An exception to this was the abrupt withdrawal from ANR, post-2009, despite the JCSS commitment that ADB would continue to play a major role. The designs of key projects/programs under ADB's country assistance programs were likewise consistent with the corresponding sector objectives, although with a failure to accord sufficient attention to (i) sustainable road maintenance, (ii) the prerequisites for corporate governance reforms, (iii) the appropriate timing to introduce deposit insurance and foster capital markets, (iv) the absorptive capacity of government in skills development, and (v) government's ability to mount complex innovations in PSM contributed to designs that were, in several cases, overambitious, ill timed, or poorly sequenced.

**Design of ADB programs were in line with sector objectives but failed in attention to various details**

## C. Efficiency

72. The assessment of efficiency considers how well resources were used in key projects/programs under ADB's country assistance programs, based on four subcriteria: (i) the EIRR of key projects; (ii) portfolio/implementation performance of ADB cumulative assistance in terms of contract awards, disbursements, and other indicators that reflect the extent to which the assistance was delivered in a cost-effective manner; (iii) the utilization of project facilities; and (iv) the timely monitoring of project performance and tracking of development results.

73. **Transport.** The ADB-assisted transport program is assessed as *efficient*. Some two-thirds of the loan projects had EIRRs above 12%, and the average EIRR was 14% for ADB's support in the sector. This suggests that resources were used in a sound way, given that the road network is designed to provide connectivity to a relatively small population dispersed over a vast, mountainous terrain. Projects were prepared quickly. Processing times, measured from project identification to the first disbursement, were lower than the ADB average at about 20 months. Since 2008, and based on ADB's revised business processes, this interval has been reduced to about 10 months. The loan projects faced average completion delays of 21 months, which is in line with the ADB average of 24 months. The main causes of delay were start-up delays resulting from ambitious designs and a lack of project readiness, and those related to the special requirement of introducing a cross-border agreement, a tunnel accident, design changes, late engagement of consultants, delays in preparation of tender documents, and contractor problems.

Program cluster approach reduced implementation delays

74. **Finance/Private Sector Development.** The ADB program in the finance/PSD sector is assessed as *efficient*. Regulatory and institutional reforms have generally been achieved, although there have been gaps in some areas. With few exceptions, programs and TA have been implemented in a timely manner, and the active participation of the resident mission in implementation has contributed to problem solving and overcoming language barriers. The program cluster approach adopted for policy-based lending and its inherent flexibility in addressing changes in government reform priorities has also helped reduce implementation delays. Implementation of the Regional Customs Modernization Project has been substantially behind targets, mainly due to political disturbances in the Kyrgyz Republic, first in 2005 and then in 2010, but the delays are not likely to affect the internal rates of return for this project.

Substantial delays were experienced in policy-based support

75. **Public Sector Management.** The ADB PSM program is assessed as *less than efficient*. Support in this area is not amenable to benefit-cost analysis, and should be seen more in terms of value-for-money. From that vantage point, the actual improvements in public sector management—in terms of better governance, improved public investment planning, better aid utilization, better economic policy and management capacities, and improved tax policy and administration—are modest compared with the relatively high levels of ADB resources utilized. The government's public sector financial management capacities continue to be weak, and the combination of corruption, frequent changes within the civil service, insufficient financing, and human resource constraints continues to impede effective public service delivery. While ADB's TA consultants have generally delivered the inputs expected of them, most TA assistance has been subject to significant delays. Substantial delays were also registered in policy-based support. The first phase of the corporate governance program was extended five times, and there were likewise repeated delays in implementing the second phase of the program.

76. Coordination between ADTA and program loans has been poor. For example, due to late fielding of consultants under one TA,<sup>31</sup> preparation of a corporate governance rating system and the introduction of international accounting standards were delayed, contributing to slippages on the policy reform front. There was insufficient headquarters supervision of the first Corporate Governance Reform Program, although this was remedied with the active involvement of the resident mission during the second program loan. Substantial delays in providing assistance in the PSM area have continued in recent years. For example, delays in the bidding

<sup>31</sup> ADB. 1997. *Strengthening Corporate Governance and Judicial Reforms*. Manila.

process for software development and for the construction of a special services building for tax administration support caused significant delays in all subsequent components. As of the first quarter of 2012, 5 out of the 13 automated tax modules have been prepared and only one of them has been rolled out in selected tax offices of the Chui oblast. Other factors contributing to delays in this case included five changes in the head of the tax service, downsizing of the government's tax administration staff, turnover in the project implementation unit, and insufficient understanding of ADB procurement rules and policies.

**Coordination between ADTA and program loans has been poor**

77. **Agriculture and Natural Resources.** The ADB program in the ANR sector is assessed as *efficient* (at the lower end). Portfolio implementation was characterized by long delays in project start-up and implementation, which was hampered by limited staff resources and insufficient delegation of supervision responsibilities for what was a large and diverse sector portfolio. However, all projects had EIRRs of at least 15%. ADB's program loan support has also made a substantial contribution to improving the enabling environment for private sector agriculture operations in relation to cost.

78. **Education.** ADB support in education is assessed as *efficient*. Major contributions were made in basic education to improve the cost-effectiveness of the education service through support for rationalizing the schools with the help of a nationwide school mapping exercise, and restructuring the Ministry of Education by reducing the number of personnel on top. The use of the textbook rental scheme was helpful in reducing schooling costs for the pupils' households. ADB support resulted in a more participative and active supervision and management of school resources throughout the country, which should bring future efficiency gains. Likewise, for vocational education and skills development, the consolidation of some primary vocational schools into "complex schools" helped increase efficiency of the primary vocational education and skills training system. Lack of familiarity with ADB procedures have contributed to substantial project start-up delays. Portfolio implementation has been adversely affected by frequent changes in PIU personnel, which is, in turn, related to frequent changes in government and ministers. Project covenants have been adhered to, and performance has been closely monitored against agreed-upon performance indicators.

**ADB support is expected to bring efficiency gains**

79. **Health.** Health assistance is assessed as *efficient*. Projects were delivered on a timely manner despite frequent turnovers of the project implementation staff, especially the Project Director, and interruptions due to the "tulip revolution" in 2005 that cost the project about a year's delay. The Community-based Early Childhood Development Project required a single extension to make up for these interruptions and slippages, and for undertaking additional activities. At appraisal, an EIRR was attempted that yielded a rate of more than 63%, due to the large savings in delivery costs envisaged.

80. **The Role of PIUs/PMUs.** With the exception of the transport sector, standalone PIUs/PMUs have been relied upon to oversee the implementation of each ADB project and tended to be dissolved after project/program completion. After 2 decades of foreign-advisor led PIUs/PMUs, there has still been relatively little training of local or government staff in ADB project management. Moreover, in several ministries, there are multiple PIUs/PMUs, each assigned to a particular externally assisted project, without integration into the ministries' normal operations systems. While these kinds of standalone PIUs/PMUs have contributed to timely project implementation, they have also weakened ownership and support for the projects within the government. Once

**Stand-alone PIUs/PMUs weakened government ownership and support for the projects**

projects are completed and PIUs/PMUs are disbanded, institutional memory is lost, and there is very little attention paid to sustaining project benefits.<sup>32</sup>

Transport, finance, education, and health projects delivered outputs and outcomes with modest delays and cost overruns

81. **Overall Assessment of Efficiency.** ADB cumulative assistance is assessed as *efficient* overall. EIRRs were respectable for transport, ANR, and finance projects, despite implementation delays. Projects and programs mounted in transport, finance, education, and health have generally delivered the main outputs and outcomes with modest delays and cost overruns. In ANR, while start-up and implementation delays were substantial, all projects had high EIRRs with large contribution of the program loan to improving the enabling environment for private sector agriculture operations in relation to cost. In PSM, EIRRs are difficult to calculate, but the actual program has suffered from serious delays, coordination problems, government staff turnover, and insufficient government funding. Appendix 9 assesses portfolio implementation of ADB cumulative assistance of all sectors combined in detail (in terms of contract awards, disbursements, and other indicators), and finds it to be *efficient*, albeit with general delays in start-ups and during implementation.

#### D. Effectiveness

82. The assessment of effectiveness considers the extent to which key projects/programs under ADB's country assistance programs have cumulatively achieved (i) outputs as planned, (ii) institutional outcomes in each sector, and (iii) overall sector outcomes as per the projects/programs' DMFs or sector results frameworks, but the focus is more on outcomes than outputs (see Tables A8.1–A8.3, Appendix 8, for the results chains connecting ADB's outcomes achieved in various sectors with their plausible contributions to the country's achievement of development impacts under each of the three ADB's strategic periods to achieve ADB's CSP pillars/objectives in the respective periods).

About 80% of project level outcomes were achieved including reduction in travel and operating costs

83. **Transport.** ADB's transport program is assessed as *effective*. *This is* based on the extent to which ADB's program achieved project- and sector-level outcomes. About 80% of expected project level outcomes were achieved. The projects have contributed to an overall more efficient transport sector, which, in turn, has significantly enhanced the exchange of goods and services. ADB's road corridor projects have contributed to a substantial improvement in domestic connectivity and to a reduction in international isolation, which are major accomplishments and key sector objectives. ADB support is also expected to substantially improve regional integration, a key objective for a landlocked nation. This includes reductions in travel and operating costs as well as increases in traffic. Performance at the sector level, in terms of expected outcomes, lagged behind certain targets. ADTA for institutional and policy reforms failed to achieve many expected outcomes because of weak diagnostics, poor designs, unrealistic implementation periods, insufficient baseline analysis, and insufficient technical information. ADTA tended to cover too many different reforms, without doing justice to any of them.

Efforts to improve trade logistics showed positive results

84. Efforts to improve trade logistics have had some positive results. Although progress has been made in upgrading two priority customs posts and in implementing a Unified Automated Information System, a combination of different documentary requirements, too many physical examinations, and payment of transit and other fees translate into substantial delays and extra costs to move goods across the country's borders. Transit traffic, which has grown in importance over the past decade, is

<sup>32</sup> IED. 2005. *Special Evaluation Study on The Role of Project Implementation Units*. Manila: ADB.

constrained by poorly maintained infrastructure, high transit fees, and security concerns.<sup>33</sup>

85. **Finance/Private Sector Development.** ADB's finance/PSD program is assessed as *effective*. ADB support for bank restructuring and regulation facilitated banking sector stabilization efforts and helped the country's financial system withstand the impact of the 2008 global economic crisis. Even after the nationalization and failure of the country's largest bank in 2010, the financial system remained stable, thanks to improvements in the supervisory and regulatory capabilities of the Central Bank, together with the establishment of a deposit insurance agency. However, less progress has been made in increasing financial intermediation levels (e.g., private sector credit increased from 5% of GDP in 2000 to only 13% of GDP in 2010, far below ADB sector targets). Interest rate spreads remain high, and the number of companies to be listed on the stock market (11 in 2011) is less than half the number targeted by ADB. Support for rural finance did not meet its financial access targets (e.g., only 11 credit unions are licensed to take deposits, and all of the rest are dependent upon funds provided by ADB). Likewise, while ADB's support for customs reform has achieved most of its output targets, the country continues to exhibit some of the highest trading costs (72 days for importing and \$3,250 per container) in the world, and these costs (including informal payments) have increased over time.

ADB support helped the financial system weather the impact of the 2008 global economic crisis

86. **Public Sector Management.** ADB's PSM program is assessed as *effective* (at the lower end). The degree to which targets were met has varied across the PSM program. In the corporate governance area, two program loans and associated TA introduced corporate governance and financial accounting and audit standards that are in line with international standards, although progress with their actual implementation has been slow. Creditor rights were strengthened by establishing a firm legal basis for asset foreclosure, streamlining appellate court procedures, and establishing out-of-court commercial dispute resolution. The number of contracts with arbitration clauses increased significantly, and while the legal and institutional basis for enterprise restructuring and liquidation has improved, the level of actual corporate restructuring through the courts is small. Progress was made in privatization and improving state enterprise oversight.

Support in the corporate governance area was *effective* although implementation has been slow

87. The TA activities in aid coordination and management have strengthened the government's capabilities in procurement, financial management, and disbursement. Manuals produced under these TA activities are still in use, and the current Procurement Law draws substantially from the materials produced at that time. Actual procurement practices continue to suffer, however, from limited checks and balances. ADB has provided support for better aid management by developing an aid-related management information system in the Ministry of Economy and Finance. While this was appreciated at the time, it ceased to function after TA support was completed. Considerable support was provided for developing a public investment program (PIP), and some progress has been made in improving investment prioritization. A series of changes in responsibility within the government for PIP preparation between 2009 and 2010 weakened the use of systems for PIP preparation that ADB helped introduce and has made public investment coordination far more difficult.

Procurement practices still suffer from limited checks and balances

88. ADB has provided a TA support for improving the country's results orientation and M&E system, but this was hampered by weaknesses in coordination between the

<sup>33</sup> There have been particular problems with border crossing on the Bishkek-Almaty Road because of lengthy inspections on the Kazakhstan side of the border, border crossings being closed at night, and a temporary closing of the overland border after the 2010 conflict.

core economic agencies and capacity constraints in the local governments. In the tax administration and reform areas, good progress has been made in setting up a large taxpayers unit, automation of customs and audit functions is proceeding well, and interconnection arrangements across different parts of the country are expected to result in more efficient tax procedures, lower compliance costs, and fewer opportunities for fraud and mismanagement. While ADB has cooperated with other partners for specific activities, ADB has not been involved in the public financial management reform working group of the development partners, missing a key opportunity to leverage ADB support in various good-governance activities to contribute to a stronger overall public financial management system.

**ADB influenced ANR sector reforms despite the limited program size**

89. **Agriculture and Natural Resources.** ADB's ANR support is assessed as *effective* (at the lower end). All investment operations and grants met their expected targets. ADB also significantly influenced major sector reforms, despite the limited program size. For example, the Agriculture Sector Program aimed to contribute to 36 policy reforms. These were all accomplished, although some were achieved long after the program had been completed. The Agriculture Area Development Project and associated TA were effective in improving irrigation and drainage and in the formation and management of water users associations. TA support was broadly effective in helping with the design and implementation of sector reforms, but generally not effective in many efforts to develop capacity in the Ministry of Agriculture (MoA), due to the low quality of professional agricultural education in the country, frequent institutional reorganizations, staff and management changes, and low incentives for those working in state institutions. But with the sudden withdrawal of ADB support to the agriculture sector in 2009 would affect the JCSS' sector targets.

**ADB support in basic education led to several institutional outcomes**

90. **Education.** ADB's education program is assessed as *effective*. ADB support in basic education has produced significant outputs and outcomes. A total of 91 rural schools in poor regions have been repaired extensively, some 6,000 teachers and directors trained in management and innovative teaching methods, sector master plan prepared for sector investments, and appropriate policy reforms identified. These led to institutional outcomes in terms of decentralized school-based management system; school funding based on school mapping data; rationalization of staffing; and adoption of national strategy to address equity in access and quality issues (e.g., teacher training and recruitment, curriculum development, textbook production, and student assessment). These contributed to increased access to basic education and improved both teacher and student quality. However, textbook provision remains poor, with coverage ranging from 50% to 60% in primary and secondary schools, as a result of the termination of a textbook rental scheme in 2006.

91. In the vocational education and skills development area, new qualification standards for 18 professions have been developed and approved, with involvement of prospective employers. Considerable institutional capacity development has taken place throughout the sector. For example, school mapping was completed and a school management system for primary vocational schools was developed and institutionalized to improve effectiveness of operations. The school management system includes performance-based planning and budgeting and a management information system for operations and accounting. The school performance is monitored by school advisory board, chaired by a representative from the private sector. A National Professional Skills Development Council was established with participation from policy makers, employers, and employees to ensure that skills development efforts are coordinated and responsive to labor market demand. In addition, the introduction of modular competency-based training allows the primary vocational schools to

provide short courses and reach out to a wider range of clientele, beyond grade 9 graduates, who want to upgrade their skills.

92. **Health.** ADB's health support is assessed as *effective*. Under the Community-Based Early Childhood Development Project, ADB reached an agreement with the Ministry of Health (MOH) to support vaccine supplies on a declining scale: 70% of the national expanded program on immunization vaccine requirements in 2004 and 2005, 60% in 2006, 50% in 2007, and 40% in 2008. In 2008, the government financed 60% of the country's total vaccine requirements. ADB assisted the government to establish the nationwide integrated management of childhood illness supervision system, and to improve access to drugs and medicines. Furthermore, a transparent distribution system for essential drugs has been set up with considerable private participation. Under the Mandatory Health Insurance Fund, MOH had started introducing additional drug packages to subsidize essential drugs. Progress was made in reducing under-five mortality rates, particularly in the Jalal-abad, Naryn, and Osh *oblasts* (province). About 131 midwife posts and 59 other health facilities were rehabilitated and supplied with adequate medical equipment. The JFPR grant was particularly noteworthy for its innovative characteristics and focused approach to augmenting the welfare of the poor and children in special need.

A transparent distribution system for essential drugs is in place with private sector participation

93. **Overall Assessment of Effectiveness.** ADB cumulative assistance is considered *effective* overall. Substantial progress has been made in renovating major transport corridors, which has contributed to improved domestic and regional connectivity. Progress has been registered in the finance area in stabilizing the banking system and improving bank oversight, although efforts made to build a rural financial market and develop capital markets have had little success. In agriculture, policy reform and area development programs were fairly successful in meeting their objectives, while efforts made to reform the Ministry of Agriculture and to foster agricultural commercialization were not. In the social sectors, ADB contributed to improvements in the delivery and management of basic education, to the development of an integrated system for managing childhood illness, and to an improved delivery system for essential drugs. In PSM, SOE reforms have been broadly successful in transforming what was a state-run into a private sector-oriented economy, although efforts to foster good corporate governance have yet to take hold. However, in policy making and planning, they were plagued by weak coordination, poor incentives, frequent staff turnover, and a tendency to abandon new systems and institutions once aid projects are complete; and aid management, while benefiting from many of the management practices introduced by ADB, suffers from a lack of coherent government leadership.

ADB cumulative assistance is *effective* overall

## E. Sustainability

94. The assessment of sustainability considers the likelihood of sustaining the outputs and outcomes achieved over the long term, even in the face of external shocks/risks, based on the following three subcriteria: (i) adequate financing (i.e., sufficient recurrent financing for key projects, adequacy of cost recovery measures, and degree of continued financial/fiscal capacity to agreed-upon reforms); (ii) adequate institutional and human resource arrangements to mitigate risks and deliver results; and (iii) the extent to which there is political support and appropriate legal and policy arrangements to reinforce the results/outcomes achieved.

95. **Transport.** Sustainability prospects of ADB support in transport is assessed as *less than likely*. The key preconditions for sustainability—an assured financing mechanism and a robust maintenance regime—were not created. There has been a

Key preconditions for sustainability were not created



long period of inadequate financing of recurrent costs. Although road maintenance funding during 2007–2012 had increased 5–6 times, it is not sufficient for the whole road network as only one-third of the assessed maintenance needs are currently funded.<sup>34</sup> Sustained funding of maintenance was to be ensured by a road fund financed from road user fees and dedicated for road maintenance activities. However, neither the user-pays policy nor the proposed creation of a road fund has succeeded.

96. The government had demonstrated limited ownership of several of the reform measures agreed upon with ADB, including private participation in road maintenance and public–private participation in the roads sector. While some of the initiatives proposed by ADB and supported by ADTA were premature, a higher degree of government ownership and support should have been secured before these reforms were pursued. False starts, in a number of reform areas, could set back progress in these areas. Finally, major political crises have influenced the overall policy environment since 1997. A series of IMF programs have then emphasized fiscal restraint, which, while necessary, has meant that resources necessary to expand and maintain the transport network were far less than what was required. However, since early 2012, the government has been reforming the road maintenance system to introduce modern maintenance methods such as performance-based contracts and public-private partnerships, and induce broader private sector participation which is a key principle of road sector reform.<sup>35</sup>

A higher degree of government ownership and support should have been secured before reforms were pursued

Institutional capacities have been adversely affected by budget constraints and staff turnover

97. **Finance/Private Sector Development.** Support in finance/PSD is assessed as *likely* sustainable. ADB support helped establish the basic policy, legal, and institutional framework, and governance arrangements required to support a market economy; and with the exception of legislation on bank resolution, there have been no signs of reversals. ADB has provided the necessary capacity development to assist the government in establishing and implementing new policies and regulations, and in the case of customs, has provided some of the necessary infrastructure. Those vested interest groups in the government with a desire to retain elements of the command economy are few in number, and there is strong political support for a market-oriented economy. The institutional capacities of a number of institutions supported by ADB have been adversely affected by budget constraints and staff turnover, but these do function and are gradually gaining competence. The only ADB-supported institutions that are unlikely to be sustained are the rural credit unions, many of which will be without any funding once the ADB loan is gradually repaid.

98. **Public Sector Management.** ADB support for PSM is assessed as *less than likely* sustainable. The March 2005 Tulip Revolution and the April and June 2010 overthrow of the succeeding president, can be traced to a rising perception of increased corruption, nepotism, ethnic tensions, and generally poor delivery of public services.

<sup>34</sup> The government's road maintenance budget increased from 185 million som per annum in 2003 to 1.1 billion som in 2011. This is an estimated one-third of the 3.5 billion som that would be required if the roads were maintained to an international standard. Road maintenance was financed, in part, from a road tax, which was abolished in 2009.

<sup>35</sup> The Ministry of Transport and Communications (MOTC) informed the CAPE that it has started working on improving the public road management structure by (i) simplifying government procedures in order to attract local contractors, (ii) introducing road maintenance and equipment management systems, (iii) adopting relevant resolutions to restrict the use of roads by heavy and oversized vehicles, among others. Under the CAREC Transport Corridor I Project, a Master Plan will be prepared for 2010–2025, in a phased manner, to (i) provide long-term forecast of the road transport system (e.g., how it will contribute to achieving national goals/objectives and enhancing regional integration); and (ii) serve as the country's commitment to providing an efficient transport system. Under the CAREC Regional Road Corridor Improvement Project, an outsourcing scheme is planned to engage third party contractors from the private sector to carry out road maintenance and repairs. Performance-based contracts will be piloted.

The drafting of a new constitution, establishment of a parliamentary form of government and improved accountability of institutions are steps in the right direction. While the government exhibited a high degree of support for and involvement in various aspects of governance reform, numerous changes in prime minister (a total of six) in the course of the implementation of the program since 1997 diluted ownership. Moreover, institutions that ADB helped established to monitor and promote good governance, such as the Corporate Development Center, have ceased to function. With the exception of tax reform assistance, insufficient project financing and a dearth of postproject financial and technical support has been a problem in almost all other areas.

99. Project facilities, computer systems, software, and training materials have not had sufficient counterpart financing support after project completion to ensure that their use would be sustained. This has resulted in information management systems built for aid monitoring and public investment programming ceasing operations shortly after ADB's assistance was completed. While progress has been made in government strategic planning, monitoring, and economic policy formulation capacities, the translation of priorities into concrete actions to deliver results-on-the-ground remains weak. While some progress has been made in adopting international standards for foreign-funded projects, effective aid coordination arrangements are lacking, which does not bode well for efficient PIP prioritization. A combination of weak public sector management capacity at the *raion* (district) level, low public sector salaries, high staff turnover, and frequent reshuffling of responsibilities within the government has contributed to low levels of PSM reform ownership and very short institutional memory.

100. Government capability is also constrained by weak enforcement of laws and limited coordination among government agencies. ADB's existing support for the modernization of tax administration is more mindful that the costs for maintenance, replacement, and equipment upgrade need to be committed to ensure sustainability. However, inadequate funding to operate and maintain information systems and difficulties in recruiting and retaining competent information and communications technology personnel still pose serious risks.

101. **Agriculture and Natural Resources.** Support in ANR is assessed as *less than likely* to be sustained. Agriculture sector performance has been flagging in recent years, and the government's sector reform efforts have stalled. While the government has shown consistent commitment to the restructuring of inefficient large farms and the establishment of water user associations, a number of the enterprises that were privatized with ADB support, such as Zoovetsnab (the State Supply Agency of Livestock Inputs) and Selkhozkhimia (the State Agency for Agricultural Chemicals) have subsequently collapsed under the weight of heavy debts and insufficient investment. A number of institutional reform's proposed under ADB TA have stalled either due to staff resentment, recommendations that were too general, or because time frames and resources were insufficient.

102. The long-term viability of water user associations is threatened by low water use charges, insufficient measuring of the volumes of water use, and low profitability and capital base of the participating farmers. In addition, the capacity of the water user organizations to manage their schemes is hampered by the dilapidated nature of many of the schemes; unclear ownership status; lack of knowledge regarding scheme management, planning, and budgeting; and insufficient operating, maintenance, and investment funds. The MOA's capacity to develop market-oriented policies and support a market-driven agriculture sector remains weak, despite ample capacity development

Challenges include insufficient financing and postproject technical support

Low PSM reform ownership is a result of a combination of many factors

ANR sector performance has been waning and government reform efforts have stalled

MOA's capacity to develop market-oriented policies remains weak despite ample capacity development support

support. Low government spending in the sector, combined with an overhang of weak rural support services and outmoded rural infrastructure, continues to hamper efforts to foster a more commercially oriented agriculture sector.

103. **Education.** Education support is assessed as *likely* sustainable. ADB support has helped make the system more sustainable by reducing unit costs of basic education and introducing burden-sharing with the local community and the pupils' parents to help augment recurrent costs. The government is allocating an increasingly large amount of resources to developing education in the country. The share of educational expenditure in the GDP increased from 5.6% in 2007 to 6.6% in 2009, which is high by regional and global standards. School maintenance is considerably improved, and communities now play an active role in maintaining schools. Education management system has been institutionalized, with decision-making based on the findings from socioeconomic data generated from education surveys, and the quality of the teaching-learning process monitored more closely. However, not all reforms in basic education have been sustained. The textbook rental scheme was successfully implemented but, after extensive national debate, was abolished by the government in 2006. ADB efforts to introduce information and communication technology facilities in rural schools are likewise threatened by insufficient finance to operate and maintain computer facilities. Sustainability of reforms in the vocational education and skills development area is also likely as the assisted schools are likely to become financially more autonomous with increased capacity to generate their own incomes, particularly through training fees for the short modular competency-based training courses.

104. **Health.** Health support is assessed as *likely* sustainable. The share of health spending is gradually rising, and more attention has been devoted to planning and budgeting for recurrent costs under the ongoing World Bank-led Health sector-wide approach. Further, the essential drugs supply network in the rural areas is now self-sustaining, as the private pharmaceutical companies serve as the main providers of drugs in the rural and remote areas. This has been an important contribution of ADB support under its community-based early childhood development support. The government's strong commitment to achieving the MDGs and the coordinated involvement of partners in support of the health sector under the sector-wide approach also bode well for continued emphasis on improved child and maternal health.

105. **Overall Assessment of Sustainability.** The outputs and outcomes achieved under ADB cumulative assistance are rated *less than likely* sustainable, overall. ADB's investment projects do face considerable risks. Operation and maintenance funding in the transport network and rural infrastructure is woefully insufficient. Reforms in the financial sector have been sustained despite a series of financial market crises. Private sector institutions, despite budget and staff constraints, continue to function, with the noteworthy exception of many of the ADB-supported credit unions. There has been strong budgetary support for the social sectors, and a sector assistance approach augers well for continued progress in childhood health, an area of early ADB support. In the PSM area, early progress made in privatization and SOE reforms is likely to be sustained, but efforts made to build planning, policy making, aid management, and corporate governance capacities have been adversely affected by weak implementation of laws and regulations, postproject closure of institutions that were launched with ADB support, staff turnover, insufficient postproject finance to maintain automated management information systems, and shifting responsibilities within government for functions for which ADB helped develop capacity. ANR projects continue to suffer from weak reform ownership and severe institutional, human resource, and financial constraints.

Educational expenditure in the GDP increased to a level considered high by regional and global standards

Outputs and outcomes achieved under ADB support are *less than likely* sustainable overall

## F. Development Impacts

106. The assessment of development impacts considers ADB's contribution to the country's achievement of long-term development results, based on three subcriteria: (i) the country's achievement of sectoral impacts (e.g., MDGs in certain sectors) and cross-sectoral impacts (e.g., increased economic growth, employment, and poverty reduction); (ii) plausible links or contributions of ADB's sector outcomes to the country's achievement of sectoral and cross-sectoral impacts; and (iii) the extent of positive and negative safeguard impacts in major ADB projects (see Table A8.4, Appendix 8, for the results chain connecting ADB's contributions to the country's achievement of development impacts in the three ADB's strategic periods combined with overall ADB's CSP pillars/objectives).

107. **Transport.** The impact of ADB's transport support is assessed as *satisfactory*. The targeted project-level impacts were mostly achieved, notably improved safety conditions on project roads, improved socioeconomic conditions for those residing in the main road corridor area of Bishkek–Osh, and better environmental conditions (Box 1). There has been substantial regional trade growth along the CAREC Bishkek–Almaty Project road, which is one of the country's major international transit routes. Because of the international character of the corridor, the project included a cross-border agreement (CBA) for the border crossing point. However, the effectiveness of the CBA has been reduced by increased controls on export from the Kyrgyz Republic to Kazakhstan. Long delays at the border as trucks line up to enter Kazakhstan continue to be the norm.

108. At the sector level, improved road safety was achieved through the creation of a road safety secretariat within MOTC. Operating under considerable resource constraints, the Secretariat has contributed to accident mitigation and monitoring, traffic regulation, and statistical reporting, but it has so far had only a marginal role in preparing a comprehensive safety plan or in influencing road designs and black spot mitigation. ADB's institution-building efforts have resulted in an MOTC that has evolved from a set of sector implementing agencies into a single ministry that has a clear mandate for transport planning and policy formulation. MOTC, however, continues to engage in a number of functions that were supposed to have been transferred to the private sector. The use of ADB project implementation arrangements helped to improve governance of road construction and introduced transparent contract management practices.

**Box 1: Improved Connectivity Has Paid off through the Bishkek–Osh Road Corridor**

ADB approved three road projects between 1996 and 2001 to rehabilitate selected sections of the Bishkek–Osh Road, the country’s premier transport artery, linking Bishkek, in the North, and Osh, the economic center of the south. The three projects rehabilitated 483 kilometers of the 670-kilometer Bishkek–Osh road over a period of about 10 years.

The rehabilitation of the road has given rise to new small-scale businesses and has improved existing businesses along the road corridor. About 3,000 roadside households have benefits from increased road-related trade activities, including the development of new guest houses, gas stations, hotels, taxis, and shops. Travel times on the road corridor have been reduced from 20 hours to 8–9 hours, while the number of vehicles using the road increased from 800 per day before rehabilitation to 8,500 per day after the project was completed.

A socioeconomic survey was conducted after the project was completed to assess the impacts on beneficiaries residing near the improved road. More than 90% of the 360 respondents reported that the road rehabilitation had significantly reduced travel time and vehicle operating costs; that it had contributed to the development of small businesses along the transport corridor; and that they had substantially increased the number of trips taken to big cities such as Bishkek, Osh and Jalal-Abad. With the improved road, large numbers of consumers have shifted from air travel, costing nearly 6,000 som per trip, to overland travel, at a cost of 2,400 som per trip, for travel between the north and the south of the country.

Source: CAPE Mission, March 2012.

109. Environment and social safeguards were properly enforced in ADB’s transport projects, with identification and implementation of adequate mitigation measures, except for one project (see Box 2).

**Box 2: Environmental/Resettlement Impacts**

Generally, there were no environmental or resettlement issues since ADB’s transport projects rehabilitated existing portions of roads, rather than constructing/expanding new ones. These projects were typically rated category B, requiring mitigating measures according to ADB’s safeguard policy. The risks were mitigated adequately. However, under the CAREC Transport Corridor I (Bishkek-Torugart Road) Project, a complaint was raised from some small shops, which had to be knocked down. The shopowners disagreed and brought the issue to ADB’s Office of the Special Project Facilitator. A compliance review was requested, alleging that ADB did not implement its operating policies and procedures for involuntary resettlement and public communications, and sought compensation for shops demolished by the project. The report concluded that (i) ADB did not comply with the requirements of the involuntary resettlement policy and public communication policy; (ii) ADB failed to adequately supervise project implementation; and (iii) ADB took appropriate actions after receiving the complaint in September 2010. The key design issues which filed as the triggers to the involuntary resettlement issues: (i) during project preparation, ADB maintained within the Right of Way had to follow the requirements of involuntary resettlement, although expansion and other facility such as sidewalk and bus stops were planned; (ii) the defining category C for involuntary resettlement was not appropriate; and (iii) ADB failed to identify the unanticipated road design change, which caused the involuntary resettlement. ADB undertook the appropriate actions and worked with the government to ensure that the preparation and implementation of land acquisition and resettlement plan was in accordance with ADB’s policy.

Source: ADB’s Compliance Review Panel’s Assessment.

110. **Finance/Private Sector Development.** The impact of ADB’s finance/PSD support is assessed as *satisfactory* (at the lower end). The Kyrgyz Republic was one of the earliest reformers in Central Asia putting into place legal and regulatory frameworks for a market economy and privatizing a large share of its economy. Nearly three-quarters of the economy is now estimated to be in private hands. Private investors have responded positively, with the share of private investment rising from 14% of GDP in 2000 to 19% of GDP in 2010. Thanks to policy reform, there has been an increase in

overall foreign and private investment volumes. Opportunities for private initiative have improved in recent years despite political and macroeconomic instability. The country's overall rank in the World Bank's Doing Business rankings improved from 104 in 2005 to 70 in 2012. The country now has one of the most friendly regulatory regimes for starting a new business, although half of the businesses continue to operate in the informal sector and the numbers of registered small business have recorded a slight decline from 2000 to 2010.

111. Progress has been registered in modernizing the customs regime, and in each of the years 2006, 2007, and 2008 the Kyrgyz Republic's foreign trade (export and import) grew by more than 40%. Although the legal and regulatory environment has generally improved in many areas, weak law enforcement and corruption continue to constrain private businesses and affect the quality of corporate governance. Access to finance has improved, with financial depth (M2) rising from 11% of GDP in 2000 to 33% of GDP in 2010, well below the levels expected. High interest rate margins (27% spreads in local currency in 2010) and low levels of private sector credit (13% of GDP in 2010) compared with other economies reflect a lack of adequate bank credit and risk management skills and systems, lack of reliable financial information, problems with enforcing collateral, but also concerns about macroeconomic instability. Smaller enterprises have difficulties in obtaining credit from banks, and a sustainable rural financial system has yet to emerge. The stock market remains underdeveloped and plays a marginal role in the mobilization of new capital for private enterprises. Stock market capitalization remains fairly insignificant, at 1.7% of GDP in 2010, while the corporate bond market has been dormant since a couple of issues defaulted in 2003. In particular, the impact of ADB's support in the financial sector has been diminishing over time, with recent interventions in capital markets and rural finance having few noticeable impacts.

112. **Public Sector Management.** The impact of ADB's PSM support is assessed as *less than satisfactory*. ADB's support for corporate governance reform was the first such program in the FSU, and it did result in the creation of the main rudiments of a policy, legal, accounting, reporting, and regulatory framework for the corporate sector. Actual implementation of these measures has lagged far behind, and, in retrospect, several of the reforms now appear premature. ADB support for aid management and public financial management has enabled the government to tap international sources of finance and has contributed to improvements in the way project procurement, accounting, and reporting are conducted. It has also helped build links between the Ministry of Finance and the line agencies in planning and budgeting, which is important. However, overborrowing caused high public debt levels and public investment continues to reflect more the outcomes of supply-driven funding agency preferences, rather than a meaningful set of widely owned public sector investment priorities.

113. Capacities of many government institutions for corporate oversight, development planning, aid coordination, strategic planning, budgeting, and revenue administration have been built, but the long-term impacts of these efforts have been undermined by staff turnover, insufficient postproject financing, and frequent political change. There are areas, however, where there have been major sustained impacts. Most notably, the organization and basic public finance arrangements have, with ADB support, been considerably improved—ADB assistance for the drafting of essential PSM laws such as the Public Debt Act and the draft Budget Law and the integration of the PIP into the budget formulation process are major accomplishments in their own right. Likewise, ongoing ADB support for improved tax administration is expected to increase

Country's overall rank in the World Bank's Doing Business ranking improved to 70 in 2012

Weak law enforcement and corruption continue to affect private businesses and quality of corporate governance

Actual implementation of corporate governance reforms has lagged far behind

the tax yield while reducing lowering compliance costs and reducing opportunities for corruption. Finally, while ADB has encouraged active participation of a wide sweep of stakeholders in its PSM activities, the political events of 2005 and 2010 suggest that the inclusiveness of the policy reform process was far from satisfactory. Moreover, while many efforts were made to foster greater policy coordination across the government, effective inter-agency coordination has not yet materialized.

**ADB contributed in transforming inefficient state farms into private holdings and in establishing water user associations**

114. **Agriculture and Natural Resources.** The impact of ADB's ANR support is assessed as *satisfactory*. ADB has contributed to the transformation of inefficient large state farms into private holdings and to the establishment of water user associations, which involves farmers directly in the management of irrigation systems. ADB's Agriculture Area Development Project contributed to increased farm incomes, higher yields of the main crops, and reductions in waterlogging and salinity. The Rural Livelihood Project substantially boosted the incomes of poor rural women through innovative approaches involving nongovernment organizations as project facilitators. While the impacts of ADB support have largely been confined to relatively small numbers of project beneficiaries, the innovations introduced under ADB's ANR support were scaled-up by the World Bank.

**ADB support helped increase enrolment in the vocational education and skills development area**

115. **Education.** The impacts of ADB's education sector support are assessed as *satisfactory*. ADB support in basic education contributed to increased enrollment from 935,000 to 1.2 million (during 1997–2004) and decreased dropouts from 6,100 to 1,344, with positive gender impacts as teachers who were mostly females (about 80%) benefited from training. These have further contributed to a steady improvement in human resource development (e.g., the proportion of children in grade 1 passing basic literacy, mathematics, and skills tests increased by more than 30% over the past decade), indicating that children are better prepared for further schooling. In the vocational education and skills development area, ADB support contributed to increased enrolment in long courses by 35% (during 2007–2010), while doubling enrolment in short courses which was targeted at 6,000 by 2012.

116. **Health.** The impacts of ADB's health sector support are assessed as *satisfactory*. Support for community-based early childhood development contributed to a reduction in IMR by 20% during 2004–2009 and helped reduce the CMR by 30% in project areas, and to a threefold increase in the number of children from the project preschools who enrolled in grade 1. Further, the iodine disease deficiency of the population consuming iodized salt was reduced by 90% during 2004–2009. ADB support has also contributed to improved child health status by helping the government maintain a 95% immunization rate and by substantially strengthening the capacity of midwives and other primary health care workers. By 2010, more than 70% of common child illnesses were classified and treated according to official protocols by primary health workers, exceeding ADB's sector targets. The impact of ADB support to the sector could have been greater had a more sustained and coherent assistance approach been adopted.

**ADB contribution to achievement of development impacts is *satisfactory***

117. **Overall Assessment of Development Impacts.** Overall, ADB's contribution to the country's achievement of development impacts is rated *satisfactory*. Transport projects have had major impacts on connectivity and livelihood. Progress has been made in fostering regional integration, and trade volumes between the Kyrgyz Republic and its neighbors more than doubled during 2007–2010. Still, the costs of trading across borders remain extremely high. Some reforms in finance/PSD contributed to stabilizing the banking system. In ANR, ADB support contributed to the establishment of water user associations with farmer participation in irrigation management. Some innovations introduced under ADB's ANR support were scaled-up, by the World Bank.

118. In education, there has been considerable progress in reducing school dropouts and repetition rates, and improving access to textbooks and learning materials. In health, access to essential drugs was vastly improved, and CMR have fallen during the years of ADB support by nearly 30% in project areas. The impacts of ADB's fairly extensive support in PSM are less visible, with public sector performance hampered by a large debt overhang, frequent staff changes, inter-agency rivalry, low civil service wages, and pervasive corruption. A potentially negative impact of ADB's lending is the impact that this has had on the country's public debt, although once debt sustainability limits were breached, ADB improved the concessionality of its assistance and has helped the government strengthen public financial management, including the management of its public debt.

Considerable reduction in school dropouts and repetition rates was observed

## G. ADB Support in Other Sectors

119. **Rural Water Supply and Sanitation.** ADB support in the rural WSS subsector was designed to improve delivery of basic infrastructure services. A combination of fiscal difficulties, aging infrastructure, and institutional constraints had inhibited rural and municipal communities from accessing adequate water supply, sanitation, flood control, and draining services. A Community-Based Infrastructure Development Project, initiated in 2000,<sup>36</sup> was designed to improve 300 water supply systems in 730 villages and seven small towns, but only 118 rural water supply subprojects were completed. A PCR and PVR rated the project as *less than successful*.<sup>37</sup> A supplementary grant was provided in 2008 to complete an additional 122 projects in four rural districts, namely Chui, Jalal-Abad, Osh, and Batken.<sup>38</sup> A combination of a high degree of project complexities and the lack of government ownership, accountability, and capacity for rural WSS activities, contributed to overall poor project performance. The executing agency for the project was shifted from the Department of Rural Water, to the Ministry of Natural Resources, to the State Committee on Water, and finally to the Agency for Regional Investment. Since the project was found to have serious governance issues involving procurement and financial irregularities, it was subsequently suspended by ADB. Sustainability was also one of the key issues in rural WSS. Neither the government (central and local) nor the communities provided adequate resources for operation and maintenance of the completed rural WSS systems.

The project was found to have serious governance issues involving procurement and financial irregularities

120. ADB has shifted the focus from rural WSS to integrated urban sector development, with an ongoing project approved in 2009 (Issyk-Kul Sustainable Development Project).<sup>39</sup> The project is an integrated urban development project, aimed to (i) reduce the pollution of Lake Issyk-Kul, which is the world's second largest saline lake, and the prime tourist attraction for this region of the country (covering the cities of Balykchy, Cholpon-Ata, and Karakol); and (ii) improve the sewage system; develop sanitary landfills; install water meters; and provide water and sanitation facilities in a number of schools, markets, health care organizations, and neighborhoods. The project is relevant to the country's needs and to the government's efforts to promote urban development and decentralized services delivery. However, it is too early to properly assess the project.

<sup>36</sup> ADB. 2000. *Loan 1742-KGZ: Community Based Infrastructure Services Sector Project*. Manila.

<sup>37</sup> IED has recently changed the rating descriptors starting with "partly" to "less than" (e.g., "partly successful" has been changed to "less than successful") in order to clearly indicate that this is below the line).

<sup>38</sup> ADB. 2008. *Grant 0122-KGZ: Community Based Infrastructure Services Sector Project Supplementary*. Manila.

<sup>39</sup> ADB. 2009. *Report and Recommendations to the Board of Directors on Proposed Loan and Asian Development Fund Grant for the Kyrgyz Republic: Issyk-Kul Sustainable Development Project*. Project Number: 41548. Manila.



After nearly a decade, power once again became an ADB strategic priority

121. **Energy.** ADB provided support to the power sector in the early years of its assistance for privatization and enterprise restructuring, and improvement in the Bishkek district heating system. Solid progress was made in unbundling sector entities, but the energy companies suffered from outdated and nontransparent management structures and inadequate funding. This contributed to rising energy losses, a large backlog of overdue repairs, and crippling power outages. Since 2007, after a gap of nearly a decade, power has again become an ADB strategic priority. The Power Sector Improvement Project was provided in 2010, which included components for improving metering and data acquisition, rehabilitating power substations, improving the grid's communication and control system, and strengthening the corporate and financial management of the National Electricity Grid Company. The project is highly relevant to the country's needs and government's priorities to address the constraint related to unreliability of power supply, as well as to ADB's Strategy. 2020. While the project suffered from considerable start-up delays, disbursement is now on track. However, it is too early to properly assess the project.

122. A new project is being designed to rehabilitate critical assets in the power system, including the Toktogul hydroelectric facility and the dams on the Naryn cascade, while also establishing an electricity settlement center.<sup>40</sup> Through the Energy Sector Working Group of the development partners, ADB support is also being provided for tariff reform, reduction in electricity losses, and improved energy security. While the World Bank and the PRC are the largest sources of assistance to the sector, ADB's renewed support can be considered to be highly relevant, since improving energy policies and ensuring that the grid can be operated safely and securely is essential to make the energy sector more creditworthy and to enable it to attract the FDI needed for the country to further develop its massive hydropower resources.

## H. ADB and Borrower Performance

123. **ADB Performance.** ADB performance is rated *satisfactory*. Stakeholders appreciated ADB's active role as ADB was quick to recognize and support the country's needs for transition from a command to a market economy, and in recent years ADB has correctly shifted the focus to support for more inclusiveness and poverty reduction (Box 3). ADB has responded quickly to the government's requests for emergency rehabilitation support in times of post-disasters and other crises, and added value by supporting a disaster risk mitigation project (Box 4). ADB has participated actively in multipartner assistance strategies; it has co-chaired aid working groups in energy; and it has taken a lead role both in aid coordination (for Shelter and Reconstruction post-June 2010 events and in WSS operations in general) and in the multipartner portfolio review (with the World Bank, IsDB, and KfW). ADB has cofinanced a number of projects with other partners. In a difficult setting, it has designed projects and programs that have made a positive contribution to PSD, PSM, social development, and regional cooperation. ADB's strategic focus was broadly correct, although its abrupt departure from the ANR and health sectors post-2009 could have been handled better.

124. ADB also added value in generating knowledge products. In recent years, ADB has led a multipartner effort to prepare a country gender assessment and has cooperated with the World Bank and IMF to prepare a major economic assessment (i.e., the JEA). ADB's project supervisory performance was satisfactory, especially as many projects have been delegated to the resident mission which has been playing an active

<sup>40</sup> ADB. 2012. *Aide Memoire for the Power Sector Improvement Project and Fact Finding Mission for the Proposed Power Sector Rehabilitation Project*. Bishkek.

ADB responded to the country's emergency rehabilitation requests and added value by supporting a disaster risk mitigation project

role appreciated by stakeholders. This is reflected in the pragmatic approach of dealing with slippages in reform conditionalities, required changes in scope, responses to procurement issues, number of review missions, and in the specific proficiency of staff dealing with the administration of the programs and projects in the resident mission. In addition, the joint venture approach, which the Central and West Asia Department adopted in 2009, has led to a better delineation of tasks between ADB Headquarters and resident mission operational staff and better use of the on-the-ground capacities of the resident mission and technical expertise in Headquarters.

### **Box 3: Stakeholder Perceptions of ADB Performance**

Government officials have provided a favorable assessment of ADB's performance during the past decade. Many government officials described ADB as their favorite aid agency, because of its flexibility and responsiveness, and an "Asian" way of doing business. They also pointed to the visible and lasting results of ADB projects, most notably the increase in trade that has occurred due to the Bishkek–Osh road, and have highlighted the role that ADB has played in promoting regional cooperation through CAREC and regional projects. Government officials believe that ADB-assisted projects had been broadly effective. Some government officials and nongovernment organizations (NGOs) felt that ADB had not been sufficiently strict in enforcing project conditionalities and had been too accommodating during project implementation. Although aid partners and NGOs gave ADB high marks for involving them in project and program design, many felt that ADB could improve the way it disseminates information on program performance.

Source: CAPE Mission's focus group discussions.

#### Box 4: ADB's Responsiveness during Times of Natural Disasters and Disaster Risk Mitigation

The Kyrgyz Republic is prone to natural disasters, which can take the form of earthquakes, landslides, and floods. Over the past 15 years, an average of about 170 disasters has occurred each year, with annual damage in the range of \$30 million–\$40 million. ADB has responded quickly to natural disasters through participation in multidonor needs assessments, provision of emergency reconstruction financing, and capacity development for disaster risk reduction.

The impacts of ADB's emergency support have been broadly positive. ADB's Flood Emergency Rehabilitation Project of 1998 achieved its main objective of restoring infrastructure damaged by the floods and rains of 1998 in the southwestern part of the country, which allowed normal activities to resume in the large poor communities of Jalal-Abad, Osh, and Batken oblasts. In 2003, ADB responded to severe landslides and floods with the Emergency Rehabilitation Project, which restored access to essential transport, power, schools, and municipal infrastructure in the Chui, Issyk-Kul, Jalal-Abad, and Osh oblasts. That support was successful in substantially improving the quality of life of the affected communities.

In 2004, ADB provided a JFPR project for Reducing the Vulnerability of the Poor to Natural Disasters, which was the only ADB project for disaster risk mitigation. It had an innovative design as it aimed to improve planning and decision-making for natural disasters, develop capacity of the national and local authorities and communities to deal with frequent natural disasters, and pilot test community-based disaster risk reduction. The project achieved the following outcomes: (i) natural disaster issues integrated into national and local development planning and budgeting, based on the studies conducted by the project (including assessment of risks of natural disasters and their impacts on the national and local economies, and assessment of the alternative socioeconomic strategies for natural disasters); (ii) capacity of the national and local authorities and communities strengthened in natural disasters monitoring, management, preparedness, and responses; and (iii) the 10 most vulnerable local communities were selected as pilot cases to implement community awareness, mobilization, preparedness, and small-scale disaster mitigation plans. These outcomes are likely sustainable since the extensive capacity development activities were integrated into the central and local decision-making processes, legislation, and coordination with the communities. These contributed to satisfactory impacts of supporting human/social development: (i) over 6,000 people and 60 organizations and vulnerable rural communities directly benefited from the project; (ii) the project's methodology in the risk assessment study was used for the preparation of the Emergency Defence law. The project's pilot methodology was used by the pilot communities to prepare more mitigation proposals submitted for financing by other agencies, and by other communities through the creation of the village initiative groups which are regarded as an effective and sustainable mechanism in risk mitigation and management.

Source: CAPE assessment

With some exceptions, the government has broadly maintained its support for ADB-supported policy reforms

125. **Borrower Performance.** Borrower performance is rated *satisfactory*. Successive governments have participated actively in the design of programs and projects, encouraged development partners to adopt coordinated assistance approaches, and mobilized the counterpart funding necessary to implement what were often complex and challenging interventions. With some exceptions, the government has broadly maintained its support for ADB-supported policy reforms, and there has been relatively little backsliding on transition-related reforms. The government's use of external assistance resources, including those from ADB, could have been better if there had been less staff turnover in executing/implementing agencies; if a clear, centralized capacity for aid management had been created; if more authority had been devolved to local governments; and if more emphasis had been accorded to the sustainable management of public assets and services. In many respects, the shortcomings in aid coordination and project implementation are a problem of low capacity, which is general to all spheres of public sector activities, rather than a specific lack of

commitment to ADB projects. Coordination across key government agencies (e.g., the Ministry of Finance, the Ministry of Economy and Antimonopoly Policy, and the Prime Minister's office) has been challenging and has compromised the effectiveness of several capacity development initiatives. However, the coordination issues have been discussed among these agencies. The Ministry of Finance has recently created the Head Department of Public Investment and Technical Assistance as a strong commitment to enhance aid coordination.

**The Ministry of Finance has recently created the Head Department of Public Investment and Technical Assistance**

## CHAPTER 6

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# Overall Findings

### A. Performance of ADB Support under the Six Evaluation Criteria (Integrated Sector Assessment)

126. The CAPE assesses the overall performance of ADB's country strategies and programs to the Kyrgyz Republic (during 1994–2010) in the key sectors combined under six evaluation criteria (strategic positioning, program relevance, efficiency, effectiveness, sustainability, and development impacts) as *successful*. The strategic positioning of ADB's country strategies was *satisfactory*—while the design of ADB's country strategies was relevant/responsive to the country's needs and to the government's and ADB's corporate strategies (with appropriate modalities and close coordination with other development partners to divide responsibilities and increase synergies) and more resources were focused on the sectors that generally performed well, they were also spread thinly across many sectors without sufficient intersector linkages to mutually reinforce higher cross-sectoral outcomes and impacts.

127. The programs are considered *relevant* to the country's strategies, with a series of projects/programs designed to support the sector objectives. However, there were notable weaknesses in project design, especially in rural WSS. Resource use in the programs is considered *efficient*, with solid returns on investment for transport and ANR projects, and fairly high returns on reforms in finance/PSD, though with startup and implementation delays, which were normal portfolio problems encountered in most sectors.

128. The programs are considered *effective* in achieving many sector outcomes, especially in transport, finance/PSD, and the social sectors. Road travel time between Bishkek and Osh decreased by half and vehicle operating costs decreased by 15%. Institutional regulations and supervision of banks helped enhance the quality of banking operations. Institutional and policy reforms such as decentralized school-based management helped increase the quality of learning outcomes.

129. The sustainability prospects of outputs and outcomes appeared *less than likely*, especially in transport, the largest sector, with insufficient maintenance of the road network. Although the government's road maintenance funding increased in the past 5 years, it remains inadequate, as it is only one-third of the international standard and has to repair damage from frequent natural disasters as well. Sustainability was also affected, since project implementation/management units (PIUs/PMUs) in most sectors (except transport) were project-specific and not part of the executing agencies' normal systems, and they were dissolved after project/program completion. The contributions of combined sector outcomes to the country's achievement of development impacts are *satisfactory*, with large-scale contributions by the transport and finance/PSD sectors, and to a lesser extent by the social and ANR sectors. These, in turn, contributed

Overall performance in the key sectors under the six evaluation criteria is *successful*

Programs are *relevant, efficient, effective, with sustainability prospects appearing less than likely*

Contributions of sector outcomes to the country's achievement of development impacts are *satisfactory*

more to the achievement of the first CSP pillar/objective (on sustainable growth) and less to the second CSP pillar/objective (on poverty reduction).

130. The CAPE assesses the performance of ADB support to transport, finance/PSD, education, ANR, and health as *successful*. Performance in rural WSS and PSM was *less than successful* and could have been better by sequencing interventions to take into account reform readiness and limited government ownership. ADTA could have been used more systematically, rather than ad hoc, to assess ownership and readiness of the intended reforms and improve the implementation capacity of executing agencies, and to help the country develop a results framework and establish an M&E system to track the progress of the country's achievement of various indicators. Private sector operations could have increased the role by joining existing partners. Conversely, recent support in the energy sector is highly relevant, as it is addressing critical threats to energy security.

131. **Overall Assessment.** The rating was assigned by aggregating the individual sector ratings based on the six evaluation criteria, using weights per sector corresponding to the sector shares for total loans and grants during the entire CAPE period (1994–2010). The overall rating does not include the rural WSS subsector and the power sector because they have only one completed project each, and each accounted for only a small amount of total support. Since more than 80% of total support (of the sectors assessed) were in the sectors considered as having successful performance, the performance of ADB's overall country strategies and assistance programs for the Kyrgyz Republic is assessed as *successful* (Appendix 10).

## B. Performance of ADB Support in Achieving the Country Strategy Objectives

132. The CAPE assesses the performance of ADB's country strategies and programs for the Kyrgyz Republic during the three periods combined (1994–2010) as *successful*, with *satisfactory* strategic positioning of the three country strategies (i.e., doing the right things) as they generally (i) identified the right strategic pillars/objectives in each of the three periods—highly consistent with the country's development challenges, the government's strategies/plans, and ADB's corporate strategies in the respective periods; (ii) focused more on key sectors that generally performed well (e.g., transport, which was the largest sector, accounting for about 30% of the total support; finance/PSD; and education), while coordinating closely with other development partners to focus on other sectors to increase synergies, avoid duplicative efforts, and reduce transaction costs to the country; and (iii) provided a series of long-term continuity of support, such as in the rehabilitation of road network, for greater contributions to impacts.

133. However, there were important weaknesses in the design of the country strategies. While more resources were allocated to the key sectors that generally performed well, they were also spread thinly into many sectors/subsectors, rather than creating sufficient linkages among the key sectors to mutually reinforce achievement of higher cross-sectoral impacts for more inclusive growth. Sectors like rural WSS did not perform well, while others like health performed better but with too small support to contribute meaningfully to country-wide development impacts, including the MDGs. Despite such drawbacks, overall ADB support programs have been *satisfactory* in achieving sector outcomes and contributions to the country's development impacts (i.e., doing things right) by helping (i) address some major constraints; and (ii) facilitate the country's transition, which contributed to achieving ADB's CSP objectives (pillars), although their sustainability in the long run needs more attention.

Support to transport, finance/PSD, education, ANR, and health are *successful*

ADB's overall country strategies and programs assessed *successful*

ADB is doing the right things through its strategic positioning in identifying the right strategic objectives

**ADB support programs were found *satisfactory* in addressing the country's major constraints**

134. The CAPE assesses the performance of ADB support in addressing the country's major constraints and risks as *satisfactory*, but with some shortcomings, as follows:

- (i) **Improving Infrastructure and Connectivity.** With ADB support for rehabilitation of roads, average travel times have been substantially reduced for the Bishkek-Osh road, Bishkek-Almaty road, and Southern Transport Corridor road, thus helping connect people within the country and region as well as generating regional trade and economic activities along the roadsides. The Bishkek-Osh road reduced the isolation of the south, where many ethnic minorities live. Rapid growth and income generated from transit trade or reexport of goods from the PRC to neighboring countries would not have been possible without the ADB-supported transport corridors. However, sustainable maintenance of the road network was not given sufficient attention. While the government's road maintenance funding increased substantially over the past 5 years, it is insufficient, as it has to also repair damage caused by natural disasters.
- (ii) **Improving Institutional Capacity to Deliver Public Services to Enhance Inclusiveness.** ADB support in all sectors had components to develop institutional capacity to improve delivery of public services. In education and health, improved institutional capacity in management has helped improve enrolment and the quality of basic education and reduce infant mortality in project areas, though the latter not on a large scale due to the small amount of support. With support in ANR and a series of transport projects, a large number of households obtained more access to market and employment opportunities through income generation activities, particularly along the roadsides. In PSM and rural WSS, institutional capacity development was not given sufficient prior attention, hence there was weak government ownership of institutional reforms. This, combined with constraints in financial and human resources tended to limit the achievement of sector outcomes and contribution to impacts. To enhance inclusiveness, ADB also provided a *Vocational Education and Skills Development Project*, which is still ongoing, aimed at increasing productivity and employment opportunities, with already doubled enrolment so far.
- (iii) **Improving Governance.** ADB has attempted to foster good governance, both through support for PSM, and in all sectors. There have been some positive outcomes in terms of reducing the state's role in the productive sectors, establishing a basic budget law and procurement procedures, and improving the soundness and oversight of the financial sector. However, project designs in several cases did not accord sufficient attention to the prerequisites for corporate governance reforms, to the appropriate timing of introducing deposit insurance and fostering capital markets, to the government's absorptive capacity to mount complex reforms in PSM, and to the capacity of executing agencies to transparently implement projects in rural WSS. In other words, project designs were overambitious and poorly sequenced in several cases, particularly in rural WSS, where government ownership and accountability have been lacking. One ongoing rural WSS project was found by ADB's Office of Anti-Corruption and Integrity (OAI) to have experienced serious irregularities during its implementation (i.e.,

procurement, financial management, and quality of civil works and goods) and was suspended.

- (iv) **Responding to Frequent Natural Disasters and Other Emergencies.** ADB has been responsive to the country's external and internal emergencies. First, ADB provided support in 1994 to help mitigate the fiscal effects of the collapse of the FSU. ADB also responded quickly to the damage resulting from internal unrest and natural disasters through a series of emergency support. It also provided one disaster risk mitigation project to help reduce the vulnerability of the poor to natural disasters, which was found to be successful as it benefited at least 6,000 people and 60 organizations; its methodology in the risk assessment studies and plans was used for the preparation of the Emergency Defence Law; and its pilot methodology was used by the pilot communities to prepare more mitigation proposals submitted for financing by other agencies and replicated in other communities. However, since the country is prone to various kinds of natural disasters, more disaster preparedness support like this or support related to climate change adaptation and environmental protection would be useful to reduce the risks involved.

135. ADB's three country strategies over the period had similar strategic objectives (pillars), which can be combined as contributing to (i) achieving private sector-led, sustainable growth; and (ii) attaining poverty reduction and other MDGs. Since ADB support over the entire CAPE period was found to help address the country's major constraints to a satisfactory extent, it was found to be *satisfactory* in helping facilitate the country's transition, as assessed below under the two CSP objectives:

- (i) **CSP Objective 1: Contributing to Private Sector-led, Sustainable Growth.** The CAPE assesses ADB's contribution to the achievement of this CSP objective as *satisfactory*. Although the Kyrgyz Republic has not yet entered a highly sustainable growth path, the average growth achieved over the past 15 years of 4.6% is considered moderately high in view of a series of major constraints and internal and external disturbances faced by the country. ADB's series of long-term support, particularly in regional transport projects and finance/PSD programs, helped contribute to the country's achievement of some development impacts which, in turn, could be linked directly/indirectly to the country's achievement of moderately high economic growth as detailed in Table A8.4 (Appendix 8).
- (ii) **CSP Objective 2: Contributing to Poverty Reduction and Other MDGs.** The CAPE assesses ADB's contribution to the achievement of this CSP objective as *satisfactory* (borderline) due to two reasons. The first is that while the country has achieved a good progress in poverty reduction from 50% in 2003 to 34% in 2010, there have been high regional disparities and slower progress in achieving non-income MDGs. The second reason is that the amount of ADB support in some MDG-related areas has not been large enough. While ADB support in the health sector had satisfactory impacts, they were mostly limited to project areas and insufficient to contribute significantly to the country level's MDGs although some project activities have been scaled up by the government or other partners. As for ADB's road sector projects, their impacts on increasing employment and reducing poverty have been confined mainly to roadside households, and have not necessarily manifested in raising

**ADB support programs were found *satisfactory* in helping facilitate the country's transition process**



skills/productivity. However, these impacts can be linked to the country's progress in poverty reduction and some non-income MDGs as detailed in Table A8.4 (Appendix 8).

### C. Macroeconomic Outlook and Challenges

136. The events of 2010 will influence the development setting for many years to come. Reconstruction assistance is being delivered, but more will need to be done to address the root causes of the ethnic violence (e.g., poor governance, high unemployment and low productivity particularly of marginalized youth, poor social services delivery especially in the south, and disputed borders with neighboring states) and to make growth more inclusive. Economic growth of about 5% is expected to continue in 2012–2013 (Economist Intelligence Unit's estimate). A period of fiscal consolidation is anticipated that will limit the scope for financing large-scale public sector projects or delivering more sophisticated public services. Fiscal deficit is expected to widen from 4.7% of GDP to about 5.5% in 2012–2013, as revenue is likely to drop due to the labor dispute at the Kumtor gold mine and the early 2012 ban on casinos and most gambling establishments. While opponents of the ban claimed that the ban has caused up to 15,000 job losses and up to \$100 million loss of government revenue, underground casinos were operating.

137. For ADB, helping the government facilitate a process of private sector-led growth (e.g., through increasing private sector operations, improving investment climate and cross-border trading system, maintenance of road network, and improving reliability of energy supply); making growth more inclusive (through continued support for vocational education and skills development to enhance opportunities for youth employment and higher productivity); improving governance (e.g., through e-procurement and public financial management systems); and reducing vulnerability of the poor to natural disasters are the key challenges.

**Key challenges for ADB include helping the government's private sector-led growth, making growth more inclusive, improving governance, and reducing vulnerability of the poor to natural disasters**

## CHAPTER 7

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# Lessons and Recommendations

### A. Lessons

138. Based on the above findings, key lessons are identified below in terms of strengths and weaknesses to help improve the design of the next CPS:

139. **Strengths.** The following are strengths of ADB assistance:

- (i) **ADB's responsiveness to the country's evolving circumstances.** ADB has been one of the country's largest sources of financing, making significant contributions to improving the country's road networks, PSD, education, and ANR. The majority of ADB's sector programs, which helped reform policies and institutional arrangements, provided a strong foundation for future support. ADB also responded quickly in times of crises and emergency needs, which was highly appreciated by the government.
- (ii) **Solid cooperation among major development partners.** Aid has been well coordinated among main development partners at the strategic level, within key sectors, in major projects, and in portfolio reviews and major economic and sector work. Joint planning and priority setting has been undertaken, given serious absorptive capacity in the public sector. The resident mission has been playing an important role in aid coordination.
- (iii) **Government's willingness to mount challenging reforms.** ADB has assisted the government in undertaking many challenging reforms, including privatizing SOEs and rural lands, defining new institutional arrangements for managing rural irrigation, building good corporate governance, right-sizing and upgrading the quality of basic education, and involving the private sector in the delivery of essential drugs.

140. **Weaknesses.** The following are weaknesses of ADB assistance:

- (i) **Lack of government ownership and executing agencies' accountability and capacity in the rural WSS sector.** Lack of government commitment and a mandate for a specific agency to look after rural WSS activities can result in frequent changes in the executing agencies (not only in ADB projects, but also in those of the World Bank), with irregularities in implementation performance and serious governance issues.
- (ii) **Overambitious assistance programs.** Resources were spread thinly in many sectors without sufficient sector linkages to reinforce cross-sectoral outcomes/impacts and sufficient assessment of government readiness.

- (iii) **Inadequate long-term planning for major policy and institutional reforms.** The long-term nature of policy and institutional reforms requires proper sector roadmaps to set out the critical milestones for both the reforms and their concomitant enforcements in a phased manner.
- (iv) **Ad-hoc provision of ADTA.** TA provision that was not well integrated into the overall CPS can result in “one-off capacity creation,” which was not sufficient for the executing agencies’ “long-term capacity development.”
- (v) **Standalone PIUs/PMUs.** The use of standalone PIUs/PMUs not integrated into the executing agencies’ normal operation systems, while creating “short-term capacity substitution,” can contribute to projects whose ownership and sustainability are in doubt.<sup>41</sup>
- (vi) **Inadequate attention to road maintenance and the software side of regional cooperation.** Low emphasis on road maintenance and the software side of regional cooperation can result in weak sustainability of the road network and weak implementation of cross-border agreements.

## B. Recommendations

141. Drawing on the findings, the following are recommendations for management consideration:<sup>42</sup>

- (i) **Focus on development impacts and address sustainability issues at the design stage.** The next CPS should focus on sectors/subsectors where the government has shown strong commitment/ownership and where ADB has performed well, while working closely with other partners to focus on other sectors to increase synergies and complementarities. For example, in transport, the emphasis could be on improving road maintenance and the sustainability of the existing road network (by working out road asset management reform with other key partners), while easing constraints to logistics and cross-border trade facilitation and improving road safety. In energy, the focus could be to make the sector financially viable, sustainable, transparent, and free of corruption so that it can ensure a stable and reliable energy supply to domestic customers and for export. In education, support for vocational education and skills development would be appropriate to boost productive employment, combat the brain drain, and make the growth pattern more inclusive. Although PSM did not perform very well in the past, ADB could limit its support to the area related to improving governance in project implementation by helping develop an e-procurement system.
- (ii) **Use ADTA systematically, by integrating it into the overall CPS to help assess government capacity, ownership, and accountability upfront.** ADTA should be used innovatively to assess the capacity, ownership, and

<sup>41</sup> The Ministry of Finance agrees with this lesson and informed the CAPE that it has been conducting quarterly reviews of the executing agencies and PIUs/PMUs; and that the issues of the executing agencies’ accountability/ownership as well as possibilities of establishing a single sector PIU/PMU were discussed.

<sup>42</sup> Key government agencies (the Ministry of Finance, the Ministry of Economy and Antimonopoly Policy, and the Prime Minister’s Office) reviewed the CAPE draft and provided general feedback in support of these recommendations.

accountability of the executing agencies (e.g., developing the required capacity in project implementation and results-based M&E, as well as assessing their ownership and accountability using various criteria) before providing support in certain sectors. This would allow the next CPS to better design and implement projects/programs with increased chances of being more effective and reduced risks of being suspended/canceled.

- (iii) **Move away, in a phased manner, from the extensive use of externally driven PIUs/PMUs which are closed after project completion and not integrated into the executing agency's regular structures for project implementation.** If special vehicles cannot be avoided, for instance due to the country's very high government staff turnover, a single PIU/PMU in each agency that needs it should be used provided experienced local staff that runs it can be retained and transferred to the next PIU/PMU.
- (iv) **Improve the CPS results framework and continue assisting the country to improve results orientation and overall M&E system.** In cooperation with other partners, ADB should continue assisting the government to develop the country's overall results framework that reflects the national strategy at the country and sector levels, and establish a results-based M&E system to track the progress of the country's achievement of various targets set. The results framework of the next CPS itself should also be improved, based on clear sector roadmaps and linkages between sectors to mutually reinforce achievement of desired higher outcomes/impacts.
- (v) **Address climate change adaptation in the next CPS.** Natural disaster risk management could be in large part addressed under climate change adaptation measures and environmental protection. Earthquake risk adaptation is being attended to by the government and other partners. A climate change assessment, which includes natural disaster risks and how to deal with them, should be prepared to support the government and used to identify measures to deal with these risks under the new CPS.
- (vi) **Continue efforts to boost ADB's private sector operations.** This will help attract more FDI, improve corporate governance standards, and facilitate sustainable growth. ADB's approval in early 2012 of an SME credit line to a domestic bank is an important step in that direction. Additional efforts to increase private sector operations should be continued, and cofinancing with other relevant development partners explored.

# Appendixes

## APPENDIX 1. KEY ECONOMIC AND SOCIAL INDICATORS

Table A1.1: Key Economic Indicators

Item	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>A. Income and Growth</b>											
1. GDP per Capita (\$, current)	307.8	321.6	380.9	434.2	478.2	545.9	728.0	969.3	865.9	875.3	1,067.2
2. GDP Growth (% in constant prices)	5.3	(0.0)	7.0	7.0	(0.2)	3.1	8.5	8.4	2.9	(0.5)	5.7
a. Agriculture	7.3	3.1	3.2	4.1	(4.2)	1.7	1.6	0.9	6.7	(2.6)	2.3
b. Industry	4.5	(9.0)	12.7	3.0	(9.8)	(6.9)	10.3	14.0	(0.3)	2.5	8.8
c. Services	3.8	4.2	7.4	11.7	8.4	9.0	12.6	11.0	2.3	(1.1)	5.2
<b>B. Saving and Investment (% of GDP)</b>											
1. Gross Domestic Investment	18.0	17.6	11.8	14.5	16.4	24.2	26.6	28.9	27.3	27.4	25.3
2. Gross Domestic Saving	16.9	16.7	10.2	15.6	15.0	10.9	20.9	14.7	25.1	19.1	22.4
<b>C. Money and Inflation (annual change)</b>											
1. Consumer Price Index	6.9	2.1	3.1	4.1	4.3	5.6	10.2	24.5	6.8	8.0	16.6
2. Broad Money Supply (M2)	11.3	34.1	33.5	32.0	9.9	51.6	33.3	12.6	17.9	21.1	14.9
<b>D. Government Finance (% of GDP)</b>											
1. Government Revenue	17.0	19.1	19.3	19.4	20.2	26.4	30.2	29.9	32.2	30.5	33.3
2. Government Expenditure	16.6	20.2	20.1	20.0	20.0	28.9	31.0	29.3	36.1	36.6	38.0
3. Overall Fiscal Surplus/(Deficit)	0.4	(1.1)	(0.8)	(0.6)	0.2	(2.5)	(0.8)	0.6	(3.9)	(6.1)	(4.7)
<b>E. Balance of Payments</b>											
1. Merchandise Trade Balance (% of GDP)	2.0	(4.6)	(6.9)	(7.7)	(17.0)	(31.3)	(33.5)	(36.6)	(23.4)	(25.1)	(28.1)
2. Current Account Balance (% of GDP)	(1.2)	(3.0)	(4.4)	1.3	(1.6)	(9.3)	(6.0)	(13.7)	(2.2)	(7.2)	(6.4)
3. Growth of \$ Merchandise Export (%)	(5.6)	2.0	19.8	24.0	(6.5)	31.9	47.7	40.1	(9.6)	5.0	27.7
4. Growth of \$ Merchandise Import (%)	(15.7)	25.6	22.2	32.1	25.5	62.1	45.8	43.6	(25.0)	5.9	32.0
5. Workers' Remittances (\$ million)	-	-	70.0	179.0	313.0	424.6	608.7	1,130.1	891.1	1,102.0	1,481.0
6. Workers' Remittances (% of GDP)	-	-	3.6	8.1	12.7	15.0	16.0	22.0	19.0	23.0	25.0
7. Foreign Direct Investment (\$ million)	0.0	4.7	45.5	131.5	42.6	182.0	208.9	377.1	189.6	233.6	458.8
8. Foreign Direct Investment (% of GDP)	0.0	0.3	2.4	5.9	1.7	6.4	5.5	7.3	4.0	4.9	7.7
<b>F. External Payments Indicators</b>											
1. Gross Official Reserves (including gold, \$ million)	286.5	317.3	399.3	564.5	612.4	817.1	1,176.6	1,224.6	1,588.2	1,718.9	1,845.8
Months of Merchandise Imports	7.4	6.5	6.7	7.2	6.2	5.1	5.4	3.9	6.8	6.9	5.6
2. Total External Debt (% of GDP)	109.8	114.9	103.3	95.3	81.4	79.9	66.7	50.0	66.8	69.4	59.0
3. External Debt Service (% of export)	30.5	19.0	19.8	14.2	10.0	8.0	9.2	12.0	26.0	9.3	6.1

Item	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
G. Memorandum Items											
1. GDP (current prices, som billion)	73.9	75.4	83.9	94.4	100.9	113.8	141.9	188.0	201.2	220.4	273.1
2. GDP (current prices, \$ million)	1,526.9	1,607.7	1,924.3	2,216.0	2,461.0	2,830.8	3,804.3	5,136.6	4,690.0	4,791.3	5,924.1
3. Exchange Rate (som/\$, average)	48.4	46.9	43.6	42.6	41.0	40.2	37.3	36.6	42.9	46.0	46.1

GDP = gross domestic product.

Sources: Asian Development Bank Key Indicators, 2010 and 2011; ADB Central and West Asia Regional Department Database; National Bank of Kyrgyz Republic; National Statistical Committee of Kyrgyz Republic; and staff estimates.

Table A1.2: Key Social and Poverty Indicators

Item	Period			
	1985	1995	2005	The Latest year
<b>A. Population Indicators</b>				
1. Total population (million)	4.0	4.6 (1995)	5.19 (2006)	5.55 (2011)
2. Annual population growth rate (% change) <sup>a</sup>	1.9	1.5 (1995)	1.12 (2006)	1.4 (2011)
<b>B. Social Indicators</b>				
1. Total fertility rate (births/woman)	4.2	3.1 (1995)	2.5 (2005)	2.6 (2011)
2. Maternal mortality ratio (per 100,000 live births)	42.8	44.3 (1995)	60.1 (2005)	63.5 (2009)
3. Infant mortality rate (below 1 year; per '000 live births)	37.8	28.1 (1995)	29.7 (2005)	25.0 (2009)
4. Life expectancy at birth (years)	67.9	65.9 (1995)	67.7 (2006)	69.3 (2010)
a. Female	71.1	70.4 (1995)	72.1 (2006)	73.5 (2010)
b. Male	64.1	61.4 (1995)	63.5 (2006)	65.3 (2010)
5. Adult literacy (%)	99.8	97.3 (1995)	99.5 (2005)	99.7 (2009)
6. Primary school enrollment (%)	123.0	103.6 (1995)	–	100.0 (2010)
7. Secondary school enrollment (%)	110.0	89.2 (1996)	–	84.0 (2010)
8. Child malnutrition (% below age 6)	–	7.2 (1996)	5.6 (2005)	4.6 (2009)
9. Population with access to safe drinking water (%) <sup>b</sup>	–	81.3 (1996)	84.4 (2005)	90.4 (2008)
10. Population with access to sewerage (%) <sup>b</sup>	–	24.4 (1996)	23.9 (2005)	23.5 (2008)
11. Gender inequality index	–	–	0.56 (2008)	0.37 (2011)
12. Gender-related development index	–	0.65 (1995)	0.69 (2005)	0.71 (2007)
13. Global gender gap ranking	–	–	41 (2008)	51 (2010)
<b>C. Poverty Indicators</b>				
1. Poverty incidence (%)	–	50 (2003)	43 (2005)	34 (2010)
2. Extreme poverty (%)	–	–	9.0 (2006)	5.0 (2010)
3. Poverty gap (%)	–	21.6 (2000)	10.5 (2005)	5.1 (2010)
4. Poverty severity index	–	9.5 (2000)	3.6 (2005)	2.5 (2010)
5. Inequality (Gini index)	–	0.449 (2000)	0.433 (2005)	0.371 (2010)
6. Human poverty index	–	8.4 (2000)	8.7 (2004)	7.5 (2010)
7. Human development index	–	0.577 (2000)	0.595 (2005)	0.611 (2010)

– = not available, GDP = gross domestic product.

<sup>a</sup> Population growth rate includes birth rate minus death rate plus net migration rate.

<sup>b</sup> Based on household surveys.

Sources: International Monetary Fund, National Statistical Committee of Kyrgyz Republic, and United Nations Development Programme.



## APPENDIX 2. MONITORING THE ACHIEVEMENTS OF THE MILLENNIUM DEVELOPMENT GOALS

Goals	Indicators	2000	2005	2009	Targets 2015	Performance
1. Radical reduction of extreme poverty	Extreme poverty level, %	32.9	9.0 (2006)	5.0 (2010)	12.9	On track
	Children under 6 who are underweight, %	6.6	5.6	4.6	3.0	Likely
	Population consuming less than 2,100 cal/day, %	60.5	49.5	40.7	27.7	Unlikely
2. Achieve universal primary education	Adult male literacy, %	99.5	99.5	99.7	100.0	Likely
	Adult female literacy, %	99.6	99.6	99.8	100.0	Likely
	Boys of primary school age who are pupils, %	96.6	96.2	97.1	100.0	Likely
	Girls of primary school age who are pupils, %	95.1	95.6	96.3	100.0	Likely
3. Promote gender equality and empower women	University students who are women, %	50.7	55.6	55.0	50.0	On track
	Women's salaries as a % of men's salaries	67.6	62.5	63.9	100.0	Unlikely
	Economically active population who are women, %	45.3	42.9	43.0	50.0	Unlikely
	Deputies to the Jogorku Kenesh who are women, %	6.7	6.7 (2004)	31.1 (2008)	30.0	On track
4. Reduce child mortality	Under-five mortality rate per 1,000 births	33.2	35.1	29.3	10.4	Unlikely
	Infant mortality rate per 1,000 births	22.6	29.7	25.0	8.5	Unlikely
	Children vaccinated against measles, %	97.8	98.9	98.9	100.0	Likely
5. Improve maternal health	Maternal mortality rate per 100,000 live births	45.5	60.1	63.5	15.7	Unlikely
	Births attended by qualified personnel, %	98.6	97.9	98.5	100.0	Likely
	Pregnant women who have anemia, %	54.7	47.4	54.4	25.0	Unlikely
6. Combat HIV/AIDS, malaria, and other diseases	Annual growth in number of newly detected cases of HIV/AIDS, %	53.0	171.0	42.9	90.0	Unlikely
	Incidence of malaria per 100,000 cases	0.2	4.4	0.1	0.0	Likely
	Incidence of tuberculosis per 100,000 cases	150.9	125.3	103.9	52.0	Unlikely
	Tuberculosis mortality rates per 100,000 cases	20.7	14.1	9.0 (2008)	7.0	Likely <sup>a</sup>
	Number of drug users	4,459	7,216	10,417	1,200	Unlikely
	Incidence of brucellosis per 100,000 cases	24.9	55.9	67.4	12.8	Unlikely

Goals	Indicators	2000	2005	2009	Targets 2015	Performance
7. Ensure environmental sustainability <sup>b</sup>	Land area covered by forest, %	4.3 (2001)	4.3	4.3 (2008)	6.0	Unlikely
	Country's specially protected territories, %	–	4.6	–	10.0	Unlikely
	Population with sustainable access to safe drinking water, %	86.0	84.4	90.4 (2008)	90.0	On track <sup>c</sup>
	Population with sustainable access to sewerage, %	32.8	23.9	23.5 (2008)	40.0	Unlikely
	Greenhouse gas emissions (CO <sub>2</sub> equivalent tons per capita)	3.1	2.2	–	3.1	On track
	Consumption of ozone-depleting substances, grams per capita	16.0	6.4	1.0 (2007)	16.0	On track
	Emissions of CO <sub>2</sub> , tons per capita	2.4	1.6	–	2.4	On track
8. Develop a global partnership for development	External debt volume, % of GDP	101.9	81.4	66.8	20.0	Unlikely
	External debt service, % of export	30.5 (2001)	10.0	26.0	8.0	Unlikely
	Number of telephones per 1,000 people	79	191	738	250	On track
	Internet users, %	0.01	3.0 (2004)	–	13.0	Likely <sup>d</sup>

– = no available data, cal = calories, CO<sub>2</sub> = carbon dioxide, GDP = gross domestic product, HIV/AIDS = human immunodeficiency virus/acquired immune deficiency syndrome.

<sup>a</sup> Possible, provided the downward trend that began in 2001 continues.

<sup>b</sup> With respect to some indicators, the time lag is insufficient. For example, the total time lag for Millennium Development Goal (MDG) 7 is 18 months. Therefore, in case the current dynamics are improved and additional efforts are undertaken, the achievement of MDG 7 is possible.

<sup>c</sup> Despite the achievement of the quantitative indicator, the quality of access to safe drinking water is low.

<sup>d</sup> Possible, provided the upward trend that began in 2004 continues.

Source: The Kyrgyz Republic: 2010. *The Second Progress Report on the Millennium Development Goals*. Bishkek.

## APPENDIX 3. PRIORITIES OF GOVERNMENT DEVELOPMENT STRATEGIES AND PLANS BY SECTOR/AREA

Sector/Area	Priorities of Government Development Strategies and Plans
Governance	<p><b>National Poverty Reduction Strategy (NPRS) 2003–2005 (adopted in 2002):</b> Increasing the effectiveness and transparency of public administration through development of democratic institutions, reform of central and local public administration, decentralization and local self-governance, establishment of effective civil service, reform of public financial management, and judicial reform. The need to reduce corruption in public administration and strengthen capacity of government agencies was highlighted. The NPRS 2003–2005 provided for measures to combat corruption, reduce crime, and protect property rights.</p> <p><b>State Strategy for Combating Corruption in the Kyrgyz Republic (adopted in 2005):</b> The priority areas in the fight against corruption were political activity, public administration, public financial management, social sector, judiciary system, law enforcement, and the military. The National Agency of the Kyrgyz Republic on the Prevention of Corruption was established.</p> <p><b>Country Development Strategy (CDS) 2007–2010 (adopted in 2006):</b> Institutional strengthening of government agencies, political and social stability, and comprehensive approach to combating corruption.</p>
Market-oriented Reforms	<p><b>Concept of Economic and Social Development of the Kyrgyz Republic till 2000 (approved in 1994):</b> Implementation of first-generation market-oriented reforms such as liberalization of prices, trade and the foreign exchange regime, and privatization of small state-owned enterprises (SOEs).</p> <p><b>Economic Development Strategy (EDS) of the Kyrgyz Republic through 2005 and the Indicative Social-Economic Development Plan (ISEDP) 1996–1998 (adopted in 1995):</b> Enterprise reforms, including privatization of large SOEs and development of antimonopoly and monopoly regulatory mechanisms.</p> <p><b>NPRS 2003–2005:</b> Financial sector reform, enterprise restructuring, improvement of corporate governance, privatization of SOEs (including KyrgyzGas, KyrgyzTelecom, air transport companies, and electricity distribution companies), and tariff reform in the energy sector.</p> <p><b>CDS 2007–2010:</b> Acceleration of market-oriented reforms (in particular, privatization of electricity distribution companies and reduction of state ownership of commercial banks).</p>
Transport	<p><b>EDS of the Kyrgyz Republic through 2005 and ISEDP 1996–1998:</b> Rehabilitation of the road network, especially the Bishkek-Osh national highway.</p> <p><b>NPRS 2003–2005:</b> Improving the condition of roads, rehabilitating railroads, upgrading the rolling stock in rail transport, modernizing the aircraft fleet and airport infrastructure, improving management of the transport sector, development of transport services, and increasing regional cooperation in transport to integrate the Kyrgyz Republic's transport networks into international transportation networks.</p> <p><b>CDS 2007–2010:</b> Rehabilitation and proper maintenance of the road network and, in particular, 5400 kilometers of the core road network (including the Bishkek-Naryn-Torugart road) was the priority in the transport sector.</p> <p><b>Road Sector Development Strategy 2007–2010 (adopted in 2006):</b> The priority given to rehabilitation and maintenance of roads was reaffirmed.</p>
Energy	<p><b>EDS of the Kyrgyz Republic through 2005 and ISEDP 1996–1998:</b> Specific investment projects in the energy sector.</p>

Sector/Area	Priorities of Government Development Strategies and Plans
	<p><b>NPRS 2003–2005:</b> Ensuring energy security, achieving energy independence through increased efficiency of energy consumption, rehabilitation of the distribution networks, improvement of sector management, tariff reform, and increased use of renewable energy.</p> <p><b>CDS 2007–2010:</b> Development of the power subsector. Electricity tariffs were to be gradually raised to cost recovery levels by 2010. Corporate governance of electricity companies was to be improved, and their profitability was to be achieved through increased tariffs and reduction of losses and arrears. The distribution companies were to be privatized. Foreign direct investment was to be attracted to the construction of the power lines that would enable the Kyrgyz Republic to export electricity to Afghanistan and Pakistan.</p> <p><b>National Energy Program of the Kyrgyz Republic 2008–2010 and the Fuel and Energy Complex Development till 2025 (adopted in 2008):</b> Ensuring reliable and uninterrupted supply of energy; reforming sector management; improving corporate management of energy companies; implementing tariff reforms to ensure cost recovery and eliminate cross-subsidization of consumers; eliminating theft; reducing losses; tightening financial discipline; and reducing the quasi-fiscal deficit in the energy sector.</p>
Water Supply Infrastructure and Services	<p><b>NPRS 2003–2005:</b> Rehabilitation and construction of water pipelines in Issyk-Kul, Jalal-Abad, Naryn and Talas provinces.</p>
Agriculture and Natural Resources	<p><b>NPRS 2003–2005:</b> Establishment of commodity cooperatives and associations and of an effective system of marketing of agricultural products; development of the irrigation system and improvement of irrigation methods; development of the education system, advisory services, livestock breeding, agricultural support services, and the agroprocessing industry; and establishment of stable markets for agricultural products based on long-term contracts between producers and consumers of these products.</p> <p><b>CDS 2007–2010:</b> Development of an effective land market, merger of small farms on a voluntary basis, establishment of cooperatives in the provision of support services and marketing of agricultural products, transfer of seed development and livestock breeding to the private sector. The quality and the outreach of agricultural advisory services were to be improved. Mortgages (with land used as collateral) were to be introduced in rural areas. Management of the irrigation system was to be improved, with most irrigation facilities transferred to the private sector. Water user associations were to be established in every village, and in-farm irrigation systems were to be transferred to them.</p>
Financial Sector	<p><b>NPRS 2003–2005:</b> Strengthening of the banking system through increased capitalization of banks, capacity building at the Debt Restructuring Agency, and more efficient banking supervision; broadening of the range of services provided by banks; modernization of the payment system; development of credit unions; and privatization of the Settlements Saving Company.</p> <p><b>CDS 2007–2010:</b> Reduction of state ownership of commercial banks, strengthening of risk management in banks, introduction of a deposit insurance system, modernization of the payment system, and establishment of a central depository of securities.</p>
Education	<p><b>EDS of the Kyrgyz Republic through 2005 and ISEDP 1996–1998:</b> Specific investment projects in the education sector.</p> <p><b>NPRS 2003–2005:</b> Building a fair society through, <i>inter alia</i>, access to quality education. The NPRS stressed the need to increase the coverage of preschool education and to improve the quality of secondary and higher education.</p> <p><b>CDS 2007–2010:</b> The priority in the education sector was to improve the quality of and access to basic and professional education.</p> <p><b>Education Development Strategy (EDS) 2007–2010 (adopted in 2006):</b> Ensuring accessibility to and improving the quality of basic (primary and secondary) education were the Government’s highest priority in the education sector.</p>

Sector/Area	Priorities of Government Development Strategies and Plans
Health	<p><b>EDS of the Kyrgyz Republic through 2005 and ISEDP 1996–1998:</b> Specific investment projects in the health sector.</p> <p><b>Manas (1996–2006) Health Care Reform Program (approved in 1996):</b> Mandatory health insurance, State-Guaranteed Benefit Package, Additional Drug Package, and official patient copayments were introduced. The Mandatory Health Insurance Fund was set up to administer the health insurance system. It became the single payer for the State-Guaranteed Benefit Package and the Additional Drug Package.</p> <p><b>NPRS 2003–2005:</b> Building a fair society through, <i>inter alia</i>, access to quality health services. The NPRS stressed the need to ensure fair and equal access for all to free medical services under the state funding program.</p> <p><b>CDS 2007–2010:</b> Preventive and primary health care was the priority in the health sector.</p> <p><b>Manas Taalimi (2006–2010) Health Care Reform Program (approved in 2006):</b> Solidifying the health financing reforms introduced under the Manas program; increasing the effectiveness of primary health care; improving access to specialized care; improving the quality of health services; strengthening public health; and improving the quality of graduate, postgraduate and continuous education in health care.</p>
Regional Cooperation	<p><b>EDS of the Kyrgyz Republic through 2005 and ISEDP 1996–1998:</b> More active participation of the Kyrgyz Republic in regional and global economic cooperation and integration arrangements.</p> <p><b>NPRS 2003–2005:</b> Regional economic cooperation was identified as a priority in foreign economic relations. The importance of regional cooperation in transport and trade for the Kyrgyz Republic was emphasized.</p> <p><b>CDS 2007–2010:</b> Simplification, greater transparency, and harmonization of customs procedures with neighboring countries; simplification of transit procedures in Central Asia; development and diversification of transport links with the rest of the world; expansion of border trade with neighboring countries.</p>
Business Environment	<p><b>EDS of the Kyrgyz Republic through 2005 and ISEDP 1996–1998:</b> Identification and elimination of illegal interference of government officials in private economic activity, especially at the local level.</p> <p><b>NPRS 2003–2005:</b> Improvement of the investment climate and development of small and medium enterprises (SMEs) through, in particular, improvements in the legal and regulatory framework (in particular curtailment of government agencies' interferences in business activities), tax and customs administration, judicial system, and infrastructure.</p> <p><b>CDS 2007–2010:</b> Improvement of the investment climate and development of SMEs through, in particular, improvement of the legal framework, deregulation of the economy, improvement of the registration and licensing systems, reform of tax and customs administration, fight against corruption and unfair competition, lowering of entry barriers, and improvement of infrastructure.</p>

Sources: Ministry of National Economy of Kyrgyz Republic, and staff summary.

## APPENDIX 4. MAJOR THRUSTS/PRIORITIES OF ADB'S COUNTRY STRATEGIES AND ASSISTANCE PROGRAMS

Country Strategies and Assistance Programs			
Sector/Theme	1996–2003 COS' Strategic Thrusts/Priorities/Objectives/Pillars	2004–2006 CSP's Strategic Thrusts/Priorities/Pillars/Objectives	2007–2010 JCSS' Strategic Thrusts/Priorities/Objectives/Pillars
<b>Overall</b>	<ul style="list-style-type: none"> <li>The COS strategic objectives were to (i) support reforms, (ii) encourage private sector-led growth, and (iii) foster human/ social development. There will also be selective interventions to protect and rehabilitate the environment.</li> <li>The lending program for 1996–2003 was spread across all sectors except for water and other municipal infrastructure and services. Public sector management cornered 16 out of 49 technical assistance (TA) grants during the period.</li> </ul>	<ul style="list-style-type: none"> <li>The CSP overall strategic objective was to reduce poverty addressed primarily by (i) promoting private sector-led growth, and (ii) selective support for human resource development.</li> <li>Geographic focus will be on the poorer areas of the country.</li> <li>To reduce the economy's vulnerability to internal and external shocks there will be heavy emphasis on private sector-led growth.</li> </ul>	<ul style="list-style-type: none"> <li>The JCSS strategic objectives were to (i) contribute to robust and sustainable economic growth, and (ii) attain poverty reduction and other Millennium Development Goals.</li> <li>Due to the limited Asian Development Fund (ADF) resources available for Kyrgyz Republic ADB operations will be selectively focused on (i) road transport and communications, (ii) agriculture and natural resources, and (iii) education.</li> </ul>
1. Agriculture and Natural Resources	<ul style="list-style-type: none"> <li>Establish a policy environment supporting competitive market structure. Focus of interventions was to be agriculture, water resources management, and institutional strengthening and capacity development.</li> <li>Develop basic institutions to provide rural financial services.</li> <li>Develop systems for maintaining and rehabilitating agricultural infrastructure.</li> <li>Major features of ADB's operations were institutional strengthening and capacity development.</li> <li>Eight advisory TA grants were</li> </ul>	<ul style="list-style-type: none"> <li>Assist the government in implementing policy and institutional reforms and through area-focused investments aimed at increasing agricultural productivity.</li> <li>Areas for ADB intervention will include agricultural area development, irrigation, rural development, and policy formulation and institutional reforms.</li> </ul>	<ul style="list-style-type: none"> <li>ADB assistance will focus on increasing agricultural land and labor productivity, value added, and profitability within a sustainable environment.</li> <li>Areas for ADB intervention include agricultural land improvement, and agribusiness and agricultural export promotion.</li> </ul>

Country Strategies and Assistance Programs			
Sector/Theme	1996-2003 COS' Strategic Thrusts/Priorities/Objectives/Pillars	2004-2006 CSP's Strategic Thrusts/Priorities/Pillars/Objectives	2007-2010 JCSS' Strategic Thrusts/Priorities/Objectives/Pillars
2. Energy	<p>approved between 1995 and 2003 focusing on institutional strengthening and capacity development.</p> <ul style="list-style-type: none"> <li>• Encourage fiscally responsible operations of state-owned enterprises.</li> <li>• Promote the active involvement of the private sector in production and conservation.</li> <li>• Rationalize, rehabilitate, and maintain the infrastructure supply system and ensure that the sector is environmentally sustainable.</li> <li>• Supported power and district heating rehabilitation and the revaluation and tariff study for Kyrgyz National Energy Holding Company.</li> </ul>	<ul style="list-style-type: none"> <li>• Support to the energy sector is not envisaged under the proposed CSP.</li> </ul>	<ul style="list-style-type: none"> <li>• Programmed ADB support includes regional gas transmission improvement in the Central Asia Region; the Central Asia-South Asia Regional Electricity Market Project; and the establishment of the CAREC members electricity regulatory reform.</li> </ul>
3. Finance and Industry	<ul style="list-style-type: none"> <li>• Limited scope for long-term ADB operations in industry and finance through public sector loans.</li> <li>• However, during the period covered some realignments were made as a result of studies that identified weaknesses in the financial sector and an unfinished reform agenda.</li> <li>• Financial Intermediation and Resource Mobilization Program and TA loans were approved in 1999.</li> </ul>	<ul style="list-style-type: none"> <li>• ADB's assistance has supported the development of the regulatory and supervisory framework that helped stabilize the financial sector following the Russian financial crisis.</li> <li>• It also focused on restructuring and consolidating the banking sector.</li> <li>• Under this CSP ADB's assistance will focus on improving financial intermediation, reducing the vulnerability of the banking system, strengthening the capital market, and developing the insurance sector.</li> <li>• ADB support to the sector is being coordinated closely with the World Bank and IMF.</li> <li>• ADB has extended assistance for a regional customs program aimed at facilitating trade and modernizing customs operations in the Kyrgyz Republic and strengthening cooperation with the customs authorities of</li> </ul>	<ul style="list-style-type: none"> <li>• Support financial market development.</li> </ul>

Sector/Theme	Country Strategies and Assistance Programs		
	1996-2003 COS' Strategic Thrusts/Priorities/Objectives/Pillars	2004-2006 CSP's Strategic Thrusts/Priorities/Pillars/Objectives	2007-2010 JCSS' Strategic Thrusts/Priorities/Objectives/Pillars
		<p>neighboring countries.</p> <ul style="list-style-type: none"> <li>As a follow-up, further assistance is envisaged during the CSP period on financing essential investments needed for communications, computer networking, and border-post equipment.</li> <li>Continued support to NPRS II and its monitoring.</li> </ul>	
4. Public Sector Management	<ul style="list-style-type: none"> <li>Support corporate governance reforms; financial sector reforms; commercial bank audits; economic policy and institution building.</li> <li>Support the NPRS.</li> </ul>		<ul style="list-style-type: none"> <li>Support tax administration reform and modernization; business environment and investment climate; economic policy and management.</li> </ul>
5. Transport and Communications	<ul style="list-style-type: none"> <li>Focus of ADB intervention will be on regional road network rehabilitation; and sector policy and institutional strengthening.</li> <li>Improve the fiscal operations of state-owned enterprises.</li> <li>Develop safety and environmental standards.</li> <li>Accelerate privatization and private sector development.</li> <li>Rationalize infrastructure, rehabilitation, and maintenance and ensure that the sector is environmentally sustainable.</li> </ul>	<ul style="list-style-type: none"> <li>ADB operations in transport have been concentrated in the road sector, where it plays a lead role. Focus of assistance will still be regional road network rehabilitation. In addition, support will be given to capacity development for road planning.</li> <li>During the proposed CSP period, ADB's support will focus on improving the regional road that links Uzbekistan to PRC through the southern part of the country.</li> <li>No assistance to the communications subsector is programmed.</li> </ul>	<ul style="list-style-type: none"> <li>Continue assisting the Government in ensuring cost-effective access to regional and domestic markets, generating employment opportunities, and providing services.</li> <li>Key outcomes for ADB's support will include: (i) improved transport infrastructure that provides better access to local and regional markets; (ii) improved road maintenance funding and management mechanisms; (iii) increased private sector participation in road operations and maintenance; (iv) better policy vision for the transport and communications sector; and (v) improved road safety.</li> <li>Areas for ADB intervention will continue to be regional road network rehabilitation. Other areas will include support for the improvement of road maintenance funding and management mechanism, private sector involvement in road operation and maintenance.</li> <li>In the pipeline are the transport and the communications sector strategy and the regional railway development study.</li> </ul>
6. Emergency Assistance	<ul style="list-style-type: none"> <li>Support flood emergency rehabilitation.</li> </ul>	<ul style="list-style-type: none"> <li>Reduce vulnerability of the poor to natural disasters.</li> </ul>	<ul style="list-style-type: none"> <li>Emergency support for recovery and reconstruction</li> </ul>



Country Strategies and Assistance Programs			
Sector/Theme	1996-2003 COS' Strategic Thrusts/Priorities/Objectives/Pillars	2004-2006 CSP's Strategic Thrusts/Priorities/Pillars/Objectives	2007-2010 JCSS' Strategic Thrusts/Priorities/Objectives/Pillars
7. Water Supply Infrastructure and Services	<ul style="list-style-type: none"> <li>Limited engagement of ADB in the sector.</li> <li>Important concerns such as rural sanitation may be addressed through agriculture development projects.</li> </ul>	<ul style="list-style-type: none"> <li>ADB extended assistance to community based infrastructure service project, the principal component of which is improving drinking water supply in four oblasts, namely Chui, Jalal-Abad, Osh, and Batken. The project covers 302 villages. It complements a World Bank-supported project that covers the remaining areas of the country.</li> </ul>	<ul style="list-style-type: none"> <li>Not a priority sector.</li> </ul>
8. Education	<ul style="list-style-type: none"> <li>Assistance to the Government's social program will be partly through comprehensive program assistance to the education sector.</li> <li>Improve policy planning and efficiency to meet the demand of the new market-based economy.</li> <li>Reform education finance.</li> <li>Increase the involvement of the private sector.</li> <li>Increase investment in human resource development.</li> <li>Rationalize and rehabilitate the physical infrastructure of the education and training system.</li> </ul>	<ul style="list-style-type: none"> <li>Support policies that encourage private education, improved financial sustainability, as well as strengthening and planning and management capacities.</li> <li>Future support will aim at ensuring the sector's financial viability and ability to sustainably provide school places for all.</li> <li>Priority investments and policy and institutional reforms will be identified under a study to be financed by ADB and is expected to provide a blueprint for investments by other external agencies such as the World Bank and USAID.</li> </ul>	<ul style="list-style-type: none"> <li>ADB assistance will focus on (i) increasing access to preschool and primary and general secondary education, and enhancing education quality; and (ii) reforming the primary vocational education system and increasing skills training opportunities for adults and out-of-school youth.</li> <li>Support for early childhood development.</li> <li>Possible application of the Sector-Wide Approach funding mechanism for education.</li> </ul>
9. Health	<ul style="list-style-type: none"> <li>Core poverty intervention will focus on mothers and children under eight and will entail an integrated set of service-delivery packages with development, and not mere survival, as the desired outcome.</li> </ul>	<ul style="list-style-type: none"> <li>ADB has not extended support for a standalone health project. However, health components feature in an ongoing social services delivery and finance project and an early childhood development project for which assistance was approved in 2003. This policy is expected to continue under the 2004-2006 CSP.</li> </ul>	<ul style="list-style-type: none"> <li>Continues support for early childhood development.</li> </ul>
1. Regional Cooperation	<ul style="list-style-type: none"> <li>ADB to actively support subregional cooperation and be actively involved in cross-border issues in Central Asia.</li> </ul>	<ul style="list-style-type: none"> <li>Reduce cross-border and transport and trade bottlenecks.</li> </ul>	<ul style="list-style-type: none"> <li>Many ADB projects, although sector specific, have a strong regional dimension. ADB continues to support and play a lead role in the</li> </ul>

Sector/Theme	Country Strategies and Assistance Programs		
	1996-2003 COS' Strategic Thrusts/Priorities/Objectives/Pillars	2004-2006 CSP's Strategic Thrusts/Priorities/Pillars/Objectives	2007-2010 JCSS' Strategic Thrusts/Priorities/Objectives/Pillars
2. Environment	<ul style="list-style-type: none"> <li>• ADB assistance will focus on addressing environmental concerns related to the projects that ADB supports in sectors such as agriculture and infrastructure.</li> <li>• TA to strengthen the Government's capacity for environmental monitoring and management was approved in 1997.</li> </ul>	<ul style="list-style-type: none"> <li>• ADB has given continued support for strengthening environmental management through three TA operations</li> </ul>	<p>CAREC program and a number of regional projects and initiatives in the transport and energy sector, and trade facilitation are being implemented in the Kyrgyz Republic under the CAREC.</p> <ul style="list-style-type: none"> <li>• Expected outcomes of ADB contribution include (i) improved transport connectivity in the region, (ii) improved infrastructure for trade facilitation (customs), (iii) enhanced opportunities for energy trade, (iv) enhanced regional sustainable tourism opportunities, and (v) enhanced policy-making capacity.</li> <li>• An important theme of the 2007-2010 program is ensuring environmentally sustainable economic development.</li> <li>• Expected outcomes of ADB contribution include (i) integration of sustainable land management into economic development planning, (ii) adoption of sustainable land and water management practices on the ground, (iii) environmentally sustainable tourism development, (iv) reduction in vulnerability of poor to natural disasters, (v) reduction of greenhouse gas emissions into the atmosphere, and (vi) better national capacity in environmental and natural resources management.</li> </ul>
3. Gender	<ul style="list-style-type: none"> <li>• ADB support will focus on mitigating some of the negative impacts on women of economic transition.</li> <li>• Encourage women's abilities to participate in the emerging market economy.</li> <li>• Improve social support mechanisms and social service delivery systems.</li> <li>• Develop capacity development exercise.</li> <li>• The Community-Based Infrastructure Services Sector Project approved in</li> </ul>	<ul style="list-style-type: none"> <li>• No change from COS</li> </ul>	<ul style="list-style-type: none"> <li>• No change from COS</li> </ul>

Country Strategies and Assistance Programs			
Sector/Theme	1996-2003 COS' Strategic Thrusts/Priorities/Objectives/Pillars	2004-2006 CSP's Strategic Thrusts/Priorities/Pillars/Objectives	2007-2010 JCSS' Strategic Thrusts/Priorities/Objectives/Pillars
4. Private Sector Development	<p>2000 was to benefit in particular women and children.</p> <ul style="list-style-type: none"> <li>No direct private sector operations because of an earlier arrangement between ADB and the EBRD that private sector operations would be the responsibility of the latter.</li> <li>However, engagement of the private sector in all sectors is encouraged.</li> <li>In 1998, after consultations with EBRD, ADB prepared a Private Sector Strategy for Central Asia.</li> </ul>	<ul style="list-style-type: none"> <li>ADB's program support in two phases for corporate governance and enterprise reform has helped lay an important foundation for private sector development in the country. The first phase of the program aimed at promoting enterprise efficiency through corporate governance, imposing financial discipline on enterprises, promoting competition and strengthening the environment for foreign direct investment, strengthening the legal framework for legal insolvency, promoting transparency in financial accounting and reporting, and mitigating transition costs. The second phase program, which is ongoing, aims to enhance investment confidence by strengthening corporate financial and judicial governance and by taking steps to improve the efficiency and viability of the enterprise sector.</li> <li>Besides these two interventions, ADB-supported activities have consistently aimed at enhancing the role of the private sector in transport.</li> </ul>	<ul style="list-style-type: none"> <li>ADB's activities for supporting the policy and institutional environment will follow three directions: (i) provide direct support for improving business environment and investment climate; (ii) strengthen the new Government's capacity and capability for developing and implementing a market-oriented, open, and private sector-led economic development policy; and (iii) initiate ADB's own private sector operations in the country.</li> <li>Expected outcomes of ADB's operations include (i) an open, outward oriented, private sector-led economic development policy; (ii) development needs are addressed without impact on public sector debt; (iii) enhanced efficiency and competitiveness of Kyrgyz business; and (iv) better diversification of the economy.</li> </ul>
5. Governance	<ul style="list-style-type: none"> <li>Key area of ADB assistance is support for corporate governance and enterprise reform through long-term capacity building.</li> <li>Several TA grants were approved to familiarize government officials with best practices in transparent and efficient project implementation.</li> </ul>	<ul style="list-style-type: none"> <li>ADB has provided support to improve governance, including in fiscal management; the financial sector; and the areas of legal, judicial, and enterprise reform and corporate governance. These measures are helping address some of the administrative bottlenecks and weaknesses in law enforcement and the judiciary that have compounded the problems facing</li> </ul>	<ul style="list-style-type: none"> <li>No change from previous CSP.</li> </ul>

Country Strategies and Assistance Programs			
Sector/Theme	1996-2003 COS' Strategic Thrusts/Priorities/Objectives/Pillars	2004-2006 CSP's Strategic Thrusts/Priorities/Pillars/Objectives	2007-2010 JCSS' Strategic Thrusts/Priorities/Objectives/Pillars
6. Poverty Reduction	<ul style="list-style-type: none"> <li>• Emphasis will be on reducing poverty and unemployment, supporting decentralized social policy development, and better targeting vulnerable groups.</li> <li>• Project mix for 2000-2003 focuses on social concerns, with increased attention to reducing poverty and improving the quality of life.</li> </ul>	<p>private sector activity.</p> <ul style="list-style-type: none"> <li>• ADB is also assisting public investment management and aid coordination and monitoring. In addition,</li> <li>• ADB has assisted in improving commercial bank audits, and introducing international accounting, auditing, and valuation standards, to improve the need for transparency and predictability in economic activities.</li> <li>• ADB continues to support the Government's efforts to reduce corruption.</li> </ul> <ul style="list-style-type: none"> <li>• Poverty reduction has been a major objective of ADB operations in the country in recent years and is the overall objective of the CSP.</li> <li>• ADB provided technical assistance to support the development of the National Poverty Reduction Strategy.</li> <li>• ADB has also carried out an assessment of the impact of improved governance on poverty.</li> </ul>	<ul style="list-style-type: none"> <li>• No change from previous CSP.</li> </ul>

ADB = Asian Development Bank, ADF = Asian Development Fund, CAREC = Central Asia Regional Economic Cooperation, COS = country operational strategy, CSP = country strategy and program, EBRD = European Bank for Reconstruction and Development, IMF = International Monetary Fund, JCSS = joint country support strategy, NPRS = National Poverty Reduction Strategy, PRC = People's Republic of China, TA = technical assistance, USAID = United States Agency for International Development.  
Sources: ADB's various country strategies and assistance programs to the Kyrgyz Republic, and staff summary.

## APPENDIX 5. CUMULATIVE EXTERNAL ASSISTANCE BY DEVELOPMENT PARTNERS

Table A5.1: Cumulative Disbursements by Development Partner (2007–2011)

Major Development Partners	2007	2008	2009	2010	2011	Cumulative Disbursements (in US\$ '000)		
						(in \$'000) (2007–2011)	% of Total Loans and Grants	% of Sub total
<b>Loans</b>								
ADB	29,807	25,995	15,567	7,737	22,163	101,269	13	21
EBRD	-	-	-	3,645	11,297	14,942	2	3
IsDB	5,640	2,063	8,446	13,956	9,750	39,855	5	8
WB	17,749	7,909	15,950	3,172	12,374	57,154	7	12
PRC	-	-	37,991	101,275	121,521	260,787	33	53
Germany	7,642	1,158	250	203	6,804	16,057	2	3
<b>Subtotal</b>	<b>60,838</b>	<b>37,124</b>	<b>78,204</b>	<b>129,988</b>	<b>183,909</b>	<b>490,063</b>	<b>61</b>	<b>100</b>
<b>Grants</b>								
ADB	4,160	10,361	23,040	19,816	42,725	100,102	13	32
EBRD	-	-	-	195	152	347	0	0
EU	-	5,125	3,347	-	-	8,472	1	3
IFAD/GEF	-	-	45	127	44	216	0	0
WB	28,742	36,003	28,306	24,502	54,866	172,419	22	56
Germany	2,437	2,399	3,240	5,275	1,281	14,632	2	5
Switzerland	4,199	2,288	3,178	1,284	2,477	13,426	2	4
<b>Subtotal</b>	<b>39,538</b>	<b>56,176</b>	<b>61,156</b>	<b>51,200</b>	<b>101,545</b>	<b>309,615</b>	<b>39</b>	<b>100</b>
<b>Loans and Grants, Combined</b>								
ADB	33,967	36,355	38,607	27,553	64,888	201,371	25	
EBRD	-	-	-	3,840	11,449	15,288	2	
EU	-	5,125	3,347	-	-	8,472	1	
IFAD/GEF	-	-	45	127	44	216	0	
IsDB	5,640	2,063	8,446	13,956	9,750	39,855	5	
WB	46,491	43,911	44,256	27,675	67,240	229,573	29	
PRC	-	-	37,991	101,275	121,521	260,787	33	
Germany	10,079	3,556	3,490	5,479	8,086	30,690	4	
Switzerland	4,199	2,288	3,178	1,284	2,477	13,426	2	
<b>Exchange Rate (som/\$, average)</b>	<b>37.3</b>	<b>36.6</b>	<b>42.9</b>	<b>46.0</b>	<b>46.1</b>			
<b>TOTAL</b>	<b>100,376</b>	<b>93,299</b>	<b>139,360</b>	<b>181,188</b>	<b>285,454</b>	<b>799,678</b>	<b>100</b>	

ADB = Asian Development Bank, EBRD = European Bank for Reconstruction and Development, EU = European Union, GEF = Global Environment Facility, IFAD = International Fund for Agriculture and Development, IsDB = Islamic Development Bank, PRC = People's Republic of China, WB = World Bank.

Note: The data in this table were official data provided by the government's Ministry of Finance and regrouped/recalculated by the country assistance program evaluation team. The government did not provide data of support by the Russian Federation which also accounts for a large part external assistance to the country.

Sources: Ministry of Finance of Kyrgyz Republic, and staff estimates.

Table A5.2: Cumulative Commitments of Development Partners by Sector (1994–2009, in %)

Sector	KfW/											Total	
	WB	ADB	GTZ	EBRD	IsDB	SDC	USAID	IFC	UN	EU/EC	DFID		JICA
ANR	44	34	3	3	-	8	4	-	1	2	1	1	100
Energy	51	9	13	18	6	3	1	-	-	-	-	-	100
Finance/PSD	26	24	15	13	-	-	2	19	-	1	-	-	100
Industry	60	7	3	14	2	9	-	4	-	1	-	-	100
Multisector	-	61	20	-	-	2	2	-	3	9	-	3	100
PSM	48	30	-	-	-	4	4	-	10	4	1	-	100
Education	29	47	4	-	-	-	8	-	-	2	-	10	100
Health	37	6	35	-	2	-	10	-	2	-	7	-	100
Transport	14	68	-	2	13	-	-	-	-	-	-	2	100
WSS	48	43	-	-	-	6	-	-	-	-	3	-	100
<b>DP Share in Total Commitments, All Sectors</b>	<b>37</b>	<b>31</b>	<b>8</b>	<b>6</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>100</b>

ADB = Asian Development Bank, ANR = agriculture and natural resources, DFID = Department for International Development, DP = development partner, EBRD = European Bank for Reconstruction and Development, EC = European Commission, EU = European Union, IFC = International Finance Corporation, IsDB = Islamic Development Bank, JICA = Japan International Cooperation Agency, KfW/GTZ = German Development Bank/International Cooperation, PSD = private sector development, PSM = public sector management, SDC = Swiss Development Cooperation, UN = United Nations, USAID = United States Agency for International Development, WB = World Bank, WSS = water supply infrastructure and services.

Note: The data in this table differ from those in Table A5.1 as this table is based on cumulative “commitments” during 1994–2009, whereas Table A5.1 is based on cumulative “disbursements” during 2007–2011 and it has no data available by sector. Because the People’s Republic of China has only recently been providing support to the country, its share is not reflected in this table. Support from the Russian Federation is not also reflected in this table.

Sources: Ministry of Finance of Kyrgyz Republic, and staff estimates.

Table A5.3: Cofinancing of ADB Projects (1994–2010)  
(\$ million)

Loan No.	Title	ADB Loan <sup>a</sup>	Cofinancing		Government	Total Project Cost	Approval Year
			Agency	Amount			
<b>Energy</b>							
1443	Power and District Heating Rehabilitation	30.0	DANIDA, IDA, Switzerland <sup>c</sup> , NDF	39.9	28.5 <sup>b</sup>	98.4	1996
<b>Health</b>							
1645	Social Services Delivery and Finance	10.0	OFID	3.6	4.9	18.5	1998
<b>Education</b>							
1555	Education Sector Development	13.7	OFID	5.0	4.7	23.4	1997
<b>Transport</b>							
1444	Road Rehabilitation	50.0	JBIC	21.0	15.0	86.0	1996
1630	Second Road Rehabilitation	50.0	JBIC	40.8	19.0	109.8	1998
1775	Almaty-Biskek Regional Road Rehabilitation (Regional)	5.0	EU	0.4	1.3	6.7	2000

ADB = Asian Development Bank, DANIDA = Danish International Development Agency, EU = European Union, IDA = International Development Association, JBIC = Japan Bank for International Cooperation, NDF = Nordic Development Fund, OFID = Organization of Petroleum Countries Fund for International Development.

<sup>a</sup> Amounts based on appraisal.

<sup>b</sup> \$13.3 million from the Government and \$15.2 million from Kyrgyz National Energy Holding Company.

<sup>c</sup> Bilateral grant from the Government of Switzerland in the amount of \$4.5 million.

Sources: Relevant ADB databases.

**Table A5.4: Role of Development Partners in External Assistance to Different Sectors  
(Excluding ADB Assistance)**

Sector/Area	External Assistance by Development Partner
Governance	<p><b>Aga Khan Development Network</b> has promoted the ethics of participation, pluralism, nondiscrimination, and integrity by strengthening civil society institutions.</p> <p><b>European Bank for Reconstruction and Development (EBRD)</b> has trained judges in commercial law and in dealing with commercial disputes. It has also helped establish a training system for candidate judges and implement a fair and transparent judicial selection process.</p> <p><b>European Union (EU)</b> has supported institutional, legal and administrative reforms, including civic service reform. It has also supported penal reform, the rule of law, reform of security structures, and conflict prevention.</p> <p><b>Department for International Cooperation (DFID)</b> of the United Kingdom has assisted in strengthening public financial management. It has also helped enhance the capacity of the National Statistical Committee and other government agencies to produce and disseminate high-quality social statistics with a sound methodological basis.</p> <p><b>German Intenational Cooperation (GTZ/GIZ)</b> has supported legal and judicial reforms and helped strengthen the institutional capacity of several river basin organizations for watercourse management. It has also helped the National Statistical Committee conduct an agricultural census and rationalize agricultural statistical data.</p> <p><b>International Monetary Fund (IMF)</b> has promoted structural reforms aimed at improving governance and has provided technical assistance for strengthening macroeconomic management and public financial management.</p> <p><b>Japan International Cooperation Agency (JICA)</b> has supported civil service reform and fostered community empowerment.</p> <p><b>Organization for Security and Cooperation in Europe (OSCE)</b> has assisted in building mutual trust and dialogue between state institutions and citizens; strengthening the independence of the judiciary and the media; and combating corruption, organized crime, and money laundering. It has also promoted transparent and accountable practices in political and economic life.</p> <p><b>Norway</b> has assisted the NSC in improving the infrastructure for data collection and processing, and in strengthening its analytical capacity.</p> <p><b>Soros Foundation</b> has supported public administration reform, budget transparency, and legal reform.</p> <p><b>Switzerland</b> has helped strengthen public debt management, promoted the legal culture in rural areas, and helped rural people to enforce their economic rights.</p> <p><b>United Nations Development Programme (UNDP)</b> has supported public administration reform, the fight against corruption, fiscal decentralization, and reform of local self-governance. It has also helped strengthen the parliament, assisted local governments and communities in preventing conflicts, and supported capacity development for the provision of government services at the local level.</p> <p><b>United States Agency for International Development (USAID)</b> has provided technical assistance and training to strengthen the parliament and improve local governance. It has also promoted efficient tax administration, decentralization, and community development; and has supported strengthening of legal education, civil society, media, political parties, and human rights organizations.</p>

Sector/Area	External Assistance by Development Partner
	<p><b>World Bank</b> has supported public administration reform and strengthening of public finance management and public sector resource management. Improvement of governance (including capacity development at counterpart government agencies) has been embedded in many World Bank-financed investment projects.</p>
Market-oriented Reforms	<p><b>EBRD</b> has promoted market-oriented reforms in the communication sector.</p> <p><b>IMF</b> has promoted market-oriented reforms in the energy and financial sectors.</p> <p><b>World Bank</b> has supported enterprise reform (including privatization of SOEs), agricultural reform, financial sector reform, and power and gas sector reform.</p> <p><b>DFID</b> and <b>USAID</b> promoted market-oriented reforms in the power sector.</p>
Transport	<p><b>EBRD</b> and <b>EU</b> have cofinanced—together with the World Bank—the upgrading of the Osh-Batken–Isfana road.</p> <p><b>European Union Technical Assistance for the Commonwealth of Independent States (EU-TACIS)</b> has promoted reforms in public transport and supported studies and pilot activities aimed at improving local transport networks.</p> <p><b>People’s Republic of China (PRC)</b> is financing the construction of the Osh–Sarytash–Irkeshtam road.</p> <p><b>Islamic Development Bank (IsDB)</b> has financed rehabilitation, reconstruction or upgrading of several roads.</p> <p><b>JICA</b> has helped rehabilitate the Manas airport and several roads, has provided equipment for maintenance of roads in Naryn, and is providing technical assistance in capacity development for road management.</p> <p><b>World Bank</b> has financed rehabilitation and upgrading of several national roads and rehabilitation of roads in selected urban areas.</p>
Energy	<p><b>Denmark</b> has promoted energy conservation and financed rehabilitation of parts of the electricity distribution and central heating systems.</p> <p><b>DFID</b> has promoted reforms in the electricity sector with emphasis on tariff reforms and regulation of power utilities.</p> <p><b>EBRD</b> has supported upgrading the electricity transmission network in Issyk-Kul. It has also promoted the use of renewable energy and reforms aimed at creating a favorable investment climate for private sector participation in renewable energy development.</p> <p><b>German Development Bank (KfW)</b> has financed several projects aimed at increasing the technical and commercial efficiency of electricity distribution companies. It has also helped improve the local electricity network in Bishkek as well as the provision of, and access to, essential infrastructure services (including electricity) in villages.</p> <p><b>IsDB</b> has supported rural electrification.</p> <p><b>JICA</b> has provided training in management of the power sector and supported the introduction of biogas technology.</p> <p><b>Kuwait Development Fund</b> has financed the construction of a transformation substation in Batken.</p> <p><b>Nordic Development Fund</b> helped rehabilitate parts of the central heating system.</p> <p><b>Norway</b> supported capacity development for energy efficiency.</p>



Sector/Area	External Assistance by Development Partner
	<p><b>Switzerland</b> promoted energy conservation, helped electricity companies reduce losses, supported a project on reliable electricity and heating energy supply in Naryn, and financed rehabilitation of parts of the power distribution system.</p> <p><b>USAID</b> has promoted reforms in the energy sector and financed several demonstration projects introducing energy-efficient heating systems.</p> <p><b>UNDP</b> has supported the introduction of energy-efficient technologies and the use of renewable energy.</p> <p><b>World Bank</b> has promoted comprehensive reforms of the power sector, provided assistance in capacity development, supported restructuring of Kyrgyzenergo, financed rehabilitation of selected assets of the power sector and the district heating system, and helped improve the provision of, and access to, essential infrastructure services (including electricity) in villages.</p>
Water Supply Infrastructure and Services	<p><b>EBRD</b> has assisted in improving the water supply in Bishkek, Osh, and Jalal-Abad cities.</p> <p><b>DFID</b> has helped improve rural water supply and sanitation in Issyk-Kul, Naryn, and Talas provinces.</p> <p><b>JICA</b> has assisted in strengthening water quality monitoring and provided training in management of water supply in small and medium-sized towns.</p> <p><b>Switzerland</b> has helped improve water supply in Karakol and Bishkek, Osh, and Jalal-Abad cities.</p> <p><b>UNDP</b> has assisted in capacity development for the provision of government services (including water supply and sanitation) at the local level.</p> <p><b>World Bank</b> has helped improve rural water supply and sanitation in Bishkek city, Issyk-Kul, Naryn, and Talas provinces. It has also helped improve the availability, quality, and efficiency of local infrastructure services (including supply of drinking water, solid waste collection, and sewerage treatment) in small towns.</p>
Agriculture and Natural Resources	<p><b>Aga Khan Development Network</b> has supported agricultural activity in mountainous communities.</p> <p><b>EBRD</b> has supported private sector supply of essential farm inputs as well as development of storage facilities and agricultural extension services.</p> <p><b>EU-TACIS</b> has promoted long-term food security, supported agricultural productivity improvement, and provided agribusiness-oriented training.</p> <p><b>GTZ/GIZ</b> has promoted commodity and services cooperatives and supported rural self-help institutions.</p> <p><b>JICA</b> has provided training in development of agricultural cooperatives and water user associations, helped strengthen forestry management, and conducted a study on effective management of agriculture and the agroprocessing industry.</p> <p><b>Japan</b> has carried out a study on effective management of agriculture and the agro processing industry and supported procurement of agricultural equipment.</p> <p><b>Switzerland</b> has supported integrated water resource management and improvement of rural advisory services. It has also promoted farming and trade of organic products, assisted in land registration and mapping, and provided forestry support.</p> <p><b>USAID</b> has taken a value-chain approach to increase the profitability of farmers and associated businesses for selected commodities. It has provided legal assistance to the rural population, supported development of the land market, and helped develop a trade association of private</p>

Sector/Area	External Assistance by Development Partner
	<p>agribusinesses in the south of the Kyrgyz Republic; and provided legal advice, technology, information, and agricultural inputs to farmers. Furthermore, USAID has assisted in improving management of the irrigation system by strengthening water user associations. In support of land market development, USAID has helped streamline land legislation; assisted farmers in leasing, buying, and selling land; and supported reform of land management. It has assisted microfinance institutions in expanding lending to the agriculture sector.</p> <p><b>World Bank</b> has promoted agricultural reforms and facilitated private sector involvement in the agriculture sector. It also helped improve land and real estate registration, water management, and land use planning and management. Furthermore, the World Bank has supported capacity development in the agriculture sector; improvement of agricultural support services; development of input markets, agroprocessing, and marketing; livestock development; and the creation, registration, and strengthening of water user associations. It has helped rehabilitate and modernize parts of irrigation and drainage infrastructure.</p>
Finance	<p><b>Aga Khan Development Network</b> cofounded the Kyrgyz Investment and Credit Bank and supported the development microfinance institutions.</p> <p><b>EBRD</b> has supported development of the financial sector in particular by making equity investments in and providing credit to local financial institutions and developing the capacity of banks to lend to SMEs.</p> <p><b>EU-TACIS</b> has supported the development of nonbank financial institutions.</p> <p><b>GTZ/GIZ</b> has supported the development of microfinance, credit unions, and rural finance.</p> <p><b>KfW</b> has supported the development of microfinance in rural areas and helped financial institutions in introducing payment transaction systems, setting up new loan and savings programs, and refinancing equity participations.</p> <p><b>IMF</b> has supported financial sector reform and strengthening of the legal, regulatory, and supervisory frameworks.</p> <p><b>International Finance Corporation (IFC)</b> has supported the development of the financial sector by making selective private sector investments in financial institutions.</p> <p><b>UNDP</b> has supported the development of microfinance.</p> <p><b>USAID</b> has helped improve bank accounting and banking supervision, supported the development of microfinance, and financed EBRD's technical assistance to banks in capacity development for lending to SMEs.</p> <p><b>World Bank</b> has supported financial sector reforms (including privatization of state-owned banks), development of microfinance and rural finance, and modernization of the payment system.</p>
Education	<p><b>Aga Khan Development Network</b> has supported early childhood development, cofounded the University of Central Asia in Bishkek, and helped establish the School of Professional and Continuing Education of this university in Naryn. It also set up the Aga Khan School in Osh.</p> <p><b>EU-TACIS</b> has supported reforms in the higher education system.</p> <p><b>GTZ/GIZ</b> has helped improve the quality of basic education by training teachers; supported vocational education by providing training in new professions, consultancy, training materials, and textbooks; and helped establish a vocational training network so that training institutions can offer demand-oriented training and retraining for jobless people.</p>

Sector/Area	External Assistance by Development Partner
	<p><b>Japan</b> has provided training in business administration, information technology, and other fields in the Kyrgyz Republic and financed a 2-year master's program for civil servants in Japanese universities.</p> <p><b>KfW</b> has helped improve the provision of, and access to, essential services (including education) in villages.</p> <p><b>Norway</b> has supported vocational education for street children and the Centre for Multicultural and Multilingual Education.</p> <p><b>OPEC Fund</b> has helped improve basic education.</p> <p><b>Save the Children Fund (UK)</b> has supported education for poor children.</p> <p><b>Soros Foundation</b> has supported school development, teacher training, learning material development, and capacity development. It has also provided scholarships for studies abroad.</p> <p><b>UNDP</b> has provided assistance in capacity development for the provision of government services (including basic education) at the local level.</p> <p><b>UNESCO</b> has promoted the Education for All strategy</p> <p><b>UNICEF</b> has supported capacity development of local administrations, school development, and policy formulation.</p> <p><b>USAID</b> has helped improve the quality of basic (primary and secondary) education through better teaching, effective management and governance, and efficient and transparent use of financing. It has also helped develop stronger links between businesses and universities, enabling the latter to become more flexible and responsive to market requirements for educated professionals and to improve career opportunities for graduates. Furthermore, USAID has supported the Kyrgyz National Testing Initiative, which provides a fair opportunity for high school graduates to receive government funding for higher education.</p> <p><b>World Bank</b> has helped improve learning and learning conditions in primary and secondary schools in rural areas.</p>
Health	<p><b>Aga Kahn Development Network</b> has promoting preventive measures to deal with malnutrition, vitamin deficiency, communicable diseases, and maternal health in mountainous areas.</p> <p><b>EU-TACIS</b> has supported human immunodeficiency virus/acquired immunodeficiency syndrome (HIV/AIDS) and sexually transmitted illnesses control and prevention policies.</p> <p><b>DFID</b> has supported the implementation of the Manas Taalimi (2006–2010) health care reform program and the national program combating HIV/AIDS. It has helped strengthen the health sector through improved health policy, evaluation, and human resource development.</p> <p><b>Japan</b> has provided medical equipment for maternal health care, pediatric health care, and emergency medical services.</p> <p><b>KfW</b> has supported the implementation of the Manas Taalimi (2006–2010) health care reform program, antituberculosis programs and mother-and-child health care programs; HIV/AIDS prevention; and improvement of the medical emergency system. It has also helped improve the provision of, and access to, essential services (including health care) in villages.</p> <p><b>Swedish International Development Cooperation Agency (Sida)</b> has supported the implementation of the Manas Taalimi (2006–2010) health care reform program.</p>

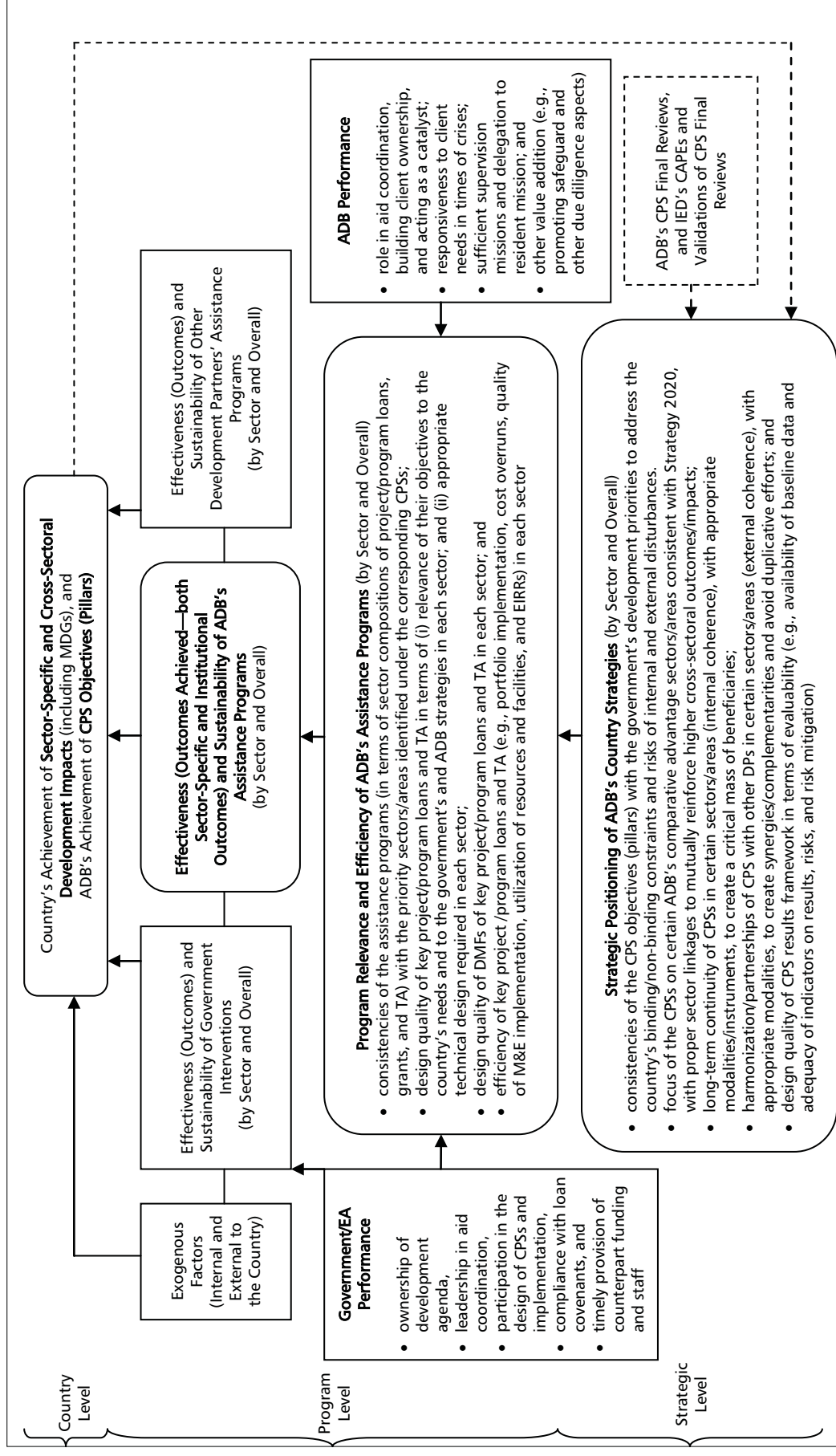
Sector/Area	External Assistance by Development Partner
	<p><b>Switzerland</b> has financed a project to improve access to health services in remote and poor areas, a project on prevention of HIV/AIDS in the south of the country, and a project on early detection and prevention of breast cancer. It has also supported the implementation of the Manas Taalimi (2006–2010) health care reform program.</p> <p><b>UNDP</b> has helped the Government implement the national multisector approach to HIV/AIDS, involving policy advice, capacity development, and advocacy. It has also provided assistance in capacity development for the provision of government services (including health services) at the local level.</p> <p><b>UNICEF</b> has helped improve the nutrition of poor families by enriching flour and salt with iodine.</p> <p><b>USAID</b> has supported the implementation of the Manas Taalimi (2006–2010) health care reform program and helped improve the quality of primary, maternal, child, and reproductive health care. It has also provided assistance in controlling and preventing infectious diseases (such as tuberculosis, hepatitis, and HIV/AIDS).</p> <p><b>World Bank</b> has supported the implementation of the Manas Taalimi (2006–2010) health care reform program; provided policy advice and assistance in institutional strengthening and capacity development; supported the avian influenza control and human pandemic preparedness and response project; and helped improve the provision of, and access to, essential services (including health care) in villages.</p>
Regional Cooperation and Integration	<p><b>EBRD</b> has cofinanced—together with the EU and the World Bank—the upgrading of the Osh-Batken–Isfana road, which links the Kyrgyz Republic with Uzbekistan, Tajikistan, and the PRC and plays an important role in regional trade and transit.</p> <p><b>EU</b> has cofinanced the upgrading of the Osh-Batken–Isfana road and supported—through the Border Management Programme in Central Asia—improved and integrated border management in Central Asia, and promoted—through the Central Asia Drug Action Program—regional cooperation in Central Asia in combating drug trafficking.</p> <p><b>EU-TACIS</b> has implemented projects on simplification and harmonization of border crossing procedures along the Transport Corridor Europe Caucasus Asia (TRACECA). It has also supported cross-border cooperation in the Fergana Valley and water resource management, focusing on interstate water agreements and the development of a regional water and land information system. Furthermore, EU-TACIS has developed the Central Asia Drug Action Program and supported environmental protection in Central Asia through the Regional Environmental Program.</p> <p><b>GTZ/GIZ</b> has been promoting regional cooperation among the Kyrgyz Republic and the other Central Asian countries in trade, education, combating desertification, and legal reform.</p> <p><b>KfW</b> has supported regional cooperation projects to fight tuberculosis and to improve mother and child care.</p> <p><b>OSCE</b> has supported cooperation between the Kyrgyz Republic and its neighbors in the areas of conflict prevention, border control, water management, migration, environmental protection, and educational exchange.</p> <p><b>Switzerland</b> has supported regional trade and improved management of water resources in the Fergana Valley. It has also financed the Central Asian Mountain Program aimed at encouraging local people to use mountain resources in a multifunctional and sustainable manner.</p> <p><b>UNDP</b> has supported the Border Management Programme in Central Asia, the Central Asia Drug Action Program, and the Silk Road Regional Program (aimed at promoting regional cooperation in trade, transit, investment, and tourism between Central Asian countries and the PRC). UNDP</p>

Sector/Area	External Assistance by Development Partner
	<p>has also supported regional environmental initiatives, specifically in conservation of mountain ecosystems and prevention of regionwide environmental degradation.</p> <p><b>United Nations Conference on Trade and Development (UNCTAD)</b> and <b>World Trade Organization</b> have supported the Silk Road Regional Program.</p> <p><b>United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP)</b> and <b>United Nations Economic Commission for Europe (UNECE)</b> have promoted—through the United Nations Special Programme for the Economies of Central Asia—regional economic cooperation in Central Asia.</p> <p><b>USAID</b> has promoted regional trade; assisted in regional water management in the Sirdarya Basin; engaged in a regional transboundary energy/water program; and supported development of regional electricity markets.</p> <p><b>World Bank</b> has conducted various studies pertaining to regional economic cooperation; financed rehabilitation of several roads linking the Kyrgyz Republic with its neighbors; supported the Water and Environment Management in the Aral Sea Basin and the Central Asia Biodiversity Project; provided regional support to fight HIV/AIDS and tuberculosis; and launched a Central Asia knowledge-sharing initiative.</p>
Business Environment and Private Sector Development	<p><b>EBRD</b> has made equity investments and provided loans to local businesses; supported the Council for Business Development and Investment (formerly Investment Council); and promoted policy dialogue between the private sector and the government to improve the business environment.</p> <p><b>EU-TACIS</b> has supported small and medium enterprises (SMEs) in Naryn and Talas provinces and helped provincial authorities improve the business environment in these provinces.</p> <p><b>GTZ/GIZ</b> has supported SMEs by strengthening business associations and other service providers; supported efforts of government agencies to improve the business environment; supported the establishment of self-help institutions of farmers, such as cooperatives and credit unions; helped reduce the number of inspections and improve framework conditions in the wool, meat, and clothing sectors; launched a certification program for food-producing companies; and helped firms in selected value chains to acquire expertise and apply new methods, particularly in the areas of farming techniques, logistics, quality, and marketing.</p> <p><b>IFC</b> has supported the development of the financial sector and growth of SMEs by making selective private sector investments in financial institutions, general manufacturing, mining, and agribusiness. IFC has helped develop nonbank financial institutions (especially microfinance companies), introduced new financial products and services, and strengthened financial intermediation to SMEs.</p> <p><b>JICA</b> has provided training to entrepreneurs in the Kyrgyz Republic and Japan.</p> <p><b>MIGA</b> has supported private sector development in the Kyrgyz Republic by extending guarantees to foreign direct investments.</p> <p><b>Switzerland</b> has promoted the development of SMEs, in particular by improving their access to financial and advisory services and helping them address legal, regulatory, and other issues through dialogue with the government.</p> <p><b>UNDP</b> has facilitated dialogue among the private sector, the government, and civil society for public-private partnerships.</p>

Sector/Area	External Assistance by Development Partner
	<p><b>USAID</b> has helped improve the legal and regulatory framework for the private sector (especially SMEs) and access of SMEs to financial and advisory services. It has also supported the Investment Roundtable, a local NGO responsible for the coordination of joint government and private sector efforts in improving the legal and regulatory environment for businesses.</p> <p><b>World Bank</b> has supported private sector development through policy dialogue with the government, analytical work, and institutional strengthening.</p>

Sources: Ministry of National Economy of Kyrgyz Republic, and staff summary.

# APPENDIX 6. CAPE EVALUATION FRAMEWORK



ADB = Asian Development Bank, CAPE = country assistance program evaluation, CPS = country partnership strategy, DMF = design and monitoring framework, DP = development partner, EA = executing agency, EIRR = economic internal rate of return, IED = Independent Evaluation Department, M&E = monitoring and evaluation, MDGs = Millennium Development Goals, TA = technical assistance.

Source: Adjusted from IED. 2010. *Revised CAPE Guidelines*. Manila: ADB.

## APPENDIX 7. APPROVED LOANS, GRANTS, AND ADVISORY TECHNICAL ASSISTANCE BY SECTOR

Table A7.1: Approved Loans and Grants by Sector (1994–2010)

Loan No.	Title	1994–2000		2001–2010		Approved		Completion		Rating	
		Prim./Sec. Objectives	Pov./Thematic Classification	Amount \$ million	%	Approval Date	Completion Date	PCR	PVR	PPER	
<b>Agriculture and Natural Resources</b>											
<b>- Agricultural Production and Markets</b>											
1.	1726	Agriculture Area Development	EG/PR	36.0		20-Dec-99	01-Mar-06	S	NA	NA	NA
2.	2314	Southern Agriculture Area Development	EG/ES	15.0		29-Jan-07	Cancelled	U	NA	NA	NA
<b>Subsector Total</b>				<b>51.0</b>	<b>5</b>						
<b>- Agriculture and Rural Sector Development</b>											
3.	1407	Agriculture Sector Program	EG	40.0		23-Nov-95	31-Dec-97	PS	NA	S	S
4.	9059 <sup>a</sup>	Rural Livelihood Development	EG	1.0		15-Dec-04	NA	S	NA	NA	NA
5.	0073 <sup>b</sup>	Southern Agriculture Area Development	EG/ES	5.0		29-Jan-07	03-Nov-09	NA	NA	NA	NA
<b>Subsector Total</b>				<b>46.0</b>	<b>5</b>						
<b>Sector Total</b>				<b>97.0</b>	<b>10</b>						
<b>Energy</b>											
<b>- Energy Utility Services</b>											
6.	1443	Power and District Heating Rehabilitation	EG	30.0		06-Jun-96	31-Dec-01	S	NA	NA	NA
<b>Subsector Total</b>				<b>30.0</b>	<b>3</b>						
<b>- Electricity Transmission and Distribution</b>											
7.	2671	Power Sector Improvement	EG/CD/RCI	16.7		27-Sep-10	Active				
8.	0218 <sup>b</sup>	Power Sector Improvement	ED/CD/RCI	28.1		27-Sep-10	Active				
<b>Subsector Total</b>				<b>44.8</b>	<b>4</b>						
<b>Sector Total</b>				<b>74.8</b>	<b>7</b>						
<b>Finance and Private Sector Development</b>											
<b>- Banking Systems</b>											
9.	1723	Financial Intermediation and Resource Mobilization Program	EG	35.0		17-Dec-99	27-Feb-02	S	NA	NA	NA
10.	1724	Commercial Bank Audits (TA Loan)	EG	1.0		17-Dec-99	27-Feb-02	S	NA	NA	NA



Loan No.	Title	1994–2000		2001–2010		Approved		Rating				
		Prim./Sec.	Objectives	Pov./Thematic	Classification	Amount	%	Approval	Completion	PCR	PVR	PPER
						\$ million		Date	Date			
11.	2224		Banking Sector and Capital Market Development Program		EG/G/PSD	15.5		20-Dec-05	25-Nov-09	PS	NA	NA
		<b>Subsector Total</b>				<b>51.5</b>	<b>5</b>					
		<b>- Investment Climate</b>										
12.	0120 <sup>b</sup>		Investment Climate Improvement Program (Subprogram 1)		EG/PSD/CD	12.5		03-Nov-08	19-Jan-09	NA	NA	NA
13.	0121 <sup>b</sup>		Investment Climate Improvement Program System Support (Grant)		EG/PSD/CD	2.9		03-Nov-08	Active			
		<b>Subsector Total</b>				<b>15.4</b>	<b>2</b>					
		<b>- Microfinance</b>										
14.	1529		Rural Financial Institutions	EG		12.5		21-Aug-97	30-Sep-04	PS	NA	NA
		<b>Subsector Total</b>				<b>12.5</b>	<b>1</b>					
		<b>- Small and Medium Enterprise Development</b>										
15.	9104 <sup>a</sup>		Improving Livelihoods of Rural Women through Development of Handicrafts Industry		EG/GD/PSD/CD	2.0		17-Jan-07	15-Nov-10	S	NA	NA
		<b>Subsector Total</b>				<b>2.0</b>	<b>0</b>					
		<b>- Trade and Services</b>										
16.	1926		Regional Trade Facilitation and Customs Cooperation Program		EG/RC/GG	15.0		29-Oct-02	17-Sep-04	S	NA	NA
17.	2113		Regional Customs Modernization and Infrastructure Development		EG/RC/GG	7.5		26-Nov-04	Active			
		<b>Subsector Total</b>				<b>22.5</b>	<b>2</b>					
		<b>Sector Total</b>				<b>103.9</b>	<b>10</b>					
		<b>Multisector</b>										
18.	1342		Special Assistance	G/SC		40.0		08-Dec-94	09-Nov-98	GS	NA	NA
19.	1633		Flood Emergency Rehabilitation	EG/P		5.0		24-Sep-98	15-Aug-02	S	NA	S
20.	1742		Community-Based Infrastructure Services Sector	P/HD		36.0		08-Jun-00	30-Apr-09	PS	PS	NA
21.	2045		Emergency Rehabilitation Reducing Vulnerability of the Poor to Natural Disasters		EG/P	5.0		11-Dec-03	30-Sep-07	S	S	NA
22.	9055 <sup>a</sup>		Community-Based Infrastructure Services Sector (supplementary)		DRR	1.0		08-Sep-04	Sep-09	S	NA	NA
23.	0122 <sup>b</sup>				ISD	30.0		03-Nov-08	Suspended			

Loan No.	Title	1994 – 2000		2001 – 2010		Approved		Rating				
		Prim./Sec. Objectives	Pov./Thematic Classification	Amount \$ million	%	Approval Date	Completion Date	PCR	PVR	PPER		
											Amount	%
24.	2668					48.5		23-Sep-10	Active			
				EG/ES/SD								
25.	0217 <sup>b</sup>					51.5		23-Sep-10	Active			
				EG/ES/SD								
	<b>Subsector Total</b>					<b>217.0</b>	<b>22</b>					
	<b>Sector Total</b>					<b>217.0</b>	<b>22</b>					
	<b>Public Sector Management</b>											
	<b>- Economic and Public Affairs Management</b>											
26.	1546	EG				40.0		25-Sep-97	09-Dec-00	GS	NA	PS
27.	1547	EG				4.0		25-Sep-97	31-Dec-04	S	S	NA
28.	1860	EG				35.0		22-Nov-01	02-Sep-04	S	NA	NA
						<b>79.0</b>	<b>8</b>					
	<b>Subsector Total</b>											
	<b>- Public Expenditure and Fiscal Management</b>											
29.	0077 <sup>b</sup>					10.0		14-Jun-07	Active			
				EG/G/CD								
	<b>Subsector Total</b>					<b>10.0</b>	<b>1</b>					
	<b>Sector Total</b>					<b>89.0</b>	<b>9</b>					
	<b>Education</b>											
	<b>- Basic Education</b>											
30.	1554	HD				19.0		29-Sep-97	01-Dec-03	S	NA	NA
31.	1555	HD				13.7		29-Sep-97	01-Dec-03	S	NA	NA
32.	0020 <sup>b</sup>					19.0		27-Oct-05				
				ISD								
33.	9108 <sup>a</sup>	ISD/HD/PI				13.7		28-May-07	14-Dec-11	S	NA	NA
	<b>Subsector Total</b>					<b>65.4</b>	<b>7</b>					



Loan No.	Title	1994–2000		2001–2010		Approved		Rating				
		Prim./Sec.	Objectives	Pov./Thematic	Classification	Amount \$ million	%	Approval Date	Completion Date	PCR	PVR	PPER
<b>Sector Total</b>						296.4	29					
<b>Urban Sector Development</b>												
48.	2556		Issyk-Kul Sustainable Development		ES/SD/CD	16.5		30-Sep-09	Active			
49.	0163 <sup>b</sup>		Issyk-Kul Sustainable Development		ES/SD/CD	13.5		30-Sep-09	Active			
<b>Subsector Total</b>						30.0	3					
<b>Sector Total</b>						30.0	3					
<b>Total</b>						1,005.0	100					

ADB = Asian Development Bank, CD = capacity development, CPI = core poverty intervention, DRR = disaster risk reduction, EG = economic growth, ES = environmental sustainability, G = governance, GG = good governance, G/SC = growth with social concerns, GS = generally successful, HD = human development, ISD = inclusive social development, KGZ = Kyrgyz Republic, NA = not applicable/available, P/Pov. = poverty, PCR = project/program completion report, PI = poverty intervention, PPER = project/program performance evaluation report, PR = poverty reduction, Prim. = primary, PS = partly successful, PSD = private sector development, PVR = project/program validation report, Sec. = secondary, RC = regional cooperation, RCI = regional cooperation and integration, S = successful, SD = social development, TA = technical assistance, TAJ = Tajikistan, U = unsuccessful.

<sup>a</sup> Japan Fund for Poverty Reduction.

<sup>b</sup> Asian Development Fund grant.

Source: Regrouped from relevant databases.

Table A7.2: Approved Advisory Technical Assistance by Sector (1994–2010)

ADTA No.	Title	Approved Amount		Approval Date	Rating TCR
		\$	%		
<b>Agriculture and Natural Resources</b>					
<b>- Agriculture and Rural Sector Development</b>					
1.	2450 <sup>a</sup>	Reorganization and Strengthening of the Ministry of Agriculture and Food	1,324,000	23-Nov-95	PS
2.	3035	Capacity Building in the Ministry of Agriculture and Water Resources	470,000	29-Jun-98	PS
3.	3347	Institutional Strengthening in Planning and Management of Agricultural Development	800,000	20-Dec-99	S
4.	3439	Capacity Building in the Ministry of Agriculture and Water Resources (Phase II)	585,000	11-May-00	U
5.	4408	A Study of the Impact of Land Reform on Agriculture, Poverty Reduction, and Environment	400,000	12-Oct-04	U
6.	4408	A Study of the Impact of Land Reform on Agriculture, Poverty Reduction, and Environment (Supplementary)	130,000	25-Jan-06	U
7.	4409	Agriculture Strategy Formulation	600,000	12-Oct-04	S
<b>Subsector Total</b>			<b>4,309,000</b>	<b>15</b>	
<b>- Irrigation, Drainage, and Flood Protection</b>					
8.	2451 <sup>a</sup>	Building Capacity for the Formation and Management of Water Users Associations	861,000	23-Nov-95	S
9.	4405	The Study on Pricing Systems and Cost-Recovery Mechanisms for Irrigation	300,000	11-Oct-04	S
<b>Subsector Total</b>			<b>1,161,000</b>	<b>4</b>	
<b>- Land-Based Natural Resources Management</b>					
10.	2397	Strengthening Environmental Institutions and Improving Procedures for EIA	556,000	13-Sep-95	PS
11.	2934	Environmental Monitoring and Management Capacity Building	598,000	11-Dec-97	HS
12.	3499	Environmental Monitoring and Management Capacity Building II	650,000	11-Sep-00	PS
<b>Subsector Total</b>			<b>1,804,000</b>	<b>6</b>	
<b>Sector Total</b>			<b>7,274,000</b>	<b>26</b>	
<b>Energy</b>					
<b>- Energy Sector Development</b>					
13.	2542	Revaluation and Tariff Study for KNEHC	310,000	13-Mar-96	GS
<b>Subsector Total</b>			<b>310,000</b>	<b>1</b>	
<b>Sector Total</b>			<b>310,000</b>	<b>1</b>	
<b>Finance and Private Sector Development</b>					
<b>- Banking Systems</b>					
14.	2220	Strengthening of the Banking System	600,000	05-Dec-94	GS
<b>Subsector Total</b>			<b>600,000</b>	<b>2</b>	

ADTA No.	Title	Approved Amount		Approval Date	Rating TCR	
		\$	%			
<b>- Finance Sector Development</b>						
15.	3239	Institutional Strengthening of the Financial Sector	600,000		09-Aug-99	HS
16.	4069	Financial Sector Reforms	600,000		19-Dec-02	S
		<b>Subsector Total</b>	<b>1,200,000</b>	<b>4</b>		
<b>- Trade and Services</b>						
17.	2297	Industry and Trade Sector Study	600,000		03-Feb-95	GS
18.	4450	Capacity Building and Institutional Strengthening for Customs Modernization and Infrastructure Development	500,000		26-Nov-04	S
		<b>Subsector Total</b>	<b>1,100,000</b>	<b>4</b>		
<b>- Microfinance</b>						
19.	4068	Capacity Building in Savings and Credit Unions and Microfinancial Systems	550,000		19-Dec-02	PS
		<b>Subsector Total</b>	<b>550,000</b>	<b>2</b>		
<b>- Money and Capital Markets</b>						
20.	4747	Supporting Banking Sector and Capital Market Development Program	600,000		20-Dec-05	S
		<b>Subsector Total</b>	<b>600,000</b>	<b>2</b>		
		<b>Sector Total</b>	<b>4,050,000</b>	<b>14</b>		
<b>Multisector</b>						
21.	3452	Institutional Strengthening for Community-Based Infrastructure Services	650,000		08-Jun-00	S
		<b>Subsector Total</b>	<b>650,000</b>	<b>2</b>		
		<b>Sector Total</b>	<b>650,000</b>	<b>2</b>		
<b>Public Sector Management</b>						
<b>- Decentralization</b>						
22.	4801	Development of a Monitoring and Evaluation System at Oblast Level	300,000		16-Jun-06	S
		<b>Subsector Total</b>	<b>300,000</b>	<b>1</b>		
<b>- Economic and Public Affairs Management</b>						
23.	2175	Seminars on Bank Operational Policies and Procedures in 1995 and 1998	80,000		28-Sep-94	
24.	2226	Institutional Support for Procurement and Disbursement	476,000		08-Dec-94	
25.	2473	Strengthening the Ministry of Economy	850,000		14-Dec-95	
26.	2876	Strengthening the Economic Policy Making and Monitoring Capabilities of the PM's Office	800,000		25-Sep-97	PS
27.	2982	Seminars on Bank Operational Policies and Procedures – Phase II in 1998 and 1999	114,000		23-Jan-98	
28.	3204	Strengthening Aid Coordination and Management	124,000		09-Jun-99	
29.	3458	Support to National Strategy for Poverty Reduction	600,000		14-Jun-00	S

ADTA No.	Title	Approved Amount		Approval Date	Rating TCR	
		\$	%			
30.	3505	Second Phase of the Corporate Governance and Enterprise Reform Program	700,000		28-Sep-00	
31.	3658	Governance Assessment Study for Sound Development Management and Poverty Reduction	100,000		28-May-01	
32.	3996	Strengthening the Capacity to Manage and Monitor Externally Assisted Projects	580,900		21-Nov-02	S
33.	4705 <sup>b</sup>	Support to the Development and Implementation of the National Poverty Reduction Strategy II	400,000		29-Nov-05	S
34.	7310	Growth Diagnostic and Impact Evaluation in the Kyrgyz Republic	225,000		10-Jul-09	S
<b>Subsector Total</b>			<b>5,049,900</b>	<b>18</b>		
<b>- Public Administration</b>						
35.	2712	Preparation and Implementation of Guidelines on Best Practice in Corporate Governance	100,000		13-Dec-96	
36.	3249	Strengthening Capacity in the Office of the President	335,000		30-Aug-99	S
37.	3779	Strengthening Corporate Governance and Judicial Reforms	850,000		22-Nov-01	PS
38.	3859	Strengthening Capacity in the Office of the President (Phase II)	500,000		24-Apr-02	S
<b>Subsector Total</b>			<b>1,785,000</b>	<b>6</b>		
<b>- Public Expenditure and Fiscal Management</b>						
39.	3382	Strengthening Capacity of the Ministry of Finance for Financial Management and Planning of the Public Investment Program	463,500		28-Dec-99	S
40.	3767	Strengthening Capacity of the Ministry of Finance for Financial Management and Planning of the Public Investment Program (Phase II)	600,000		13-Nov-01	S
41.	4940	Business Process Reengineering and Change Management for Tax Administration Modernization	500,000		14-Jun-07	PS
42.	4941	Institutional Strengthening and Capacity Building for Tax Administration Reform	500,000		14-Jun-07	S
<b>Subsector Total</b>			<b>2,063,500</b>	<b>7</b>		
<b>Sector Total</b>			<b>9,198,400</b>	<b>33</b>		
<b>Education</b>						
<b>- Basic Education</b>						
43.	2290	Education and Training Master Plan	900,000		17-Jan-95	S
44.	2879	Strengthening of Education Planning and Administration	930,000		29-Sep-97	PS
<b>Subsector Total</b>			<b>1,830,000</b>	<b>6</b>		
<b>Sector Total</b>			<b>1,830,000</b>	<b>6</b>		
<b>Health</b>						
<b>- Primary Health Care and Social Services Delivery</b>						
45.	3106	Institutional Strengthening for Social Services	634,000		27-Nov-98	S

ADTA No.	Title	Approved Amount		Approval Date	Rating TCR	
		\$	%			
46.	4187	Institutional Strengthening for Community-Based Early Childhood Development Delivery and Finance	500,000		29-Sep-03	HS
47.	4445	Awareness and Prevention of HIV/AIDS, Sexually Transmitted Infections, and Human Trafficking	500,000		23-Nov-04	
	<b>Subsector Total</b>		<b>1,634,000</b>	<b>6</b>		
	<b>Sector Total</b>		<b>1,634,000</b>	<b>6</b>		
<b>Transport</b>						
<b>- Road Transport</b>						
48.	2587 <sup>c</sup>	Institutional Strengthening of the Road Sector	800,000		13-Jun-96	S
49.	3065	Policy Support in the Transport Sector	600,000		10-Sep-98	PS
50.	3531 <sup>b</sup>	Improvement of the Road Sector Efficiency	440,000		31-Oct-00	S
51.	3757	Institutional Support in the Transport Sector	650,000		31-Oct-01	S
52.	4444	Improving Road Maintenance and Strengthening the Transport Sector Corridor Management Department	800,000		23-Nov-04	S
	<b>Subsector Total</b>		<b>3,290,000</b>	<b>12</b>		
	<b>Sector Total</b>		<b>3,290,000</b>	<b>12</b>		
	<b>Total</b>		<b>28,236,400</b>	<b>100</b>		

ADB = Asian Development Bank, ADTA = advisory technical assistance, EIA = environmental impact assessment, GS = generally successful, HIV/AIDS = human immunodeficiency virus/acquired immune deficiency syndrome, HS = highly successful, KNEHC = Kyrgyz National Energy Holding Company, PM = prime minister, PS = partly successful, S = satisfactory/successful, TCR = technical assistance completion report, U = unsuccessful.

Note: Numbers may not sum precisely because of rounding.

<sup>a</sup> Technical assistance was rated in relevant project/program performance audit report.

<sup>b</sup> Rating is satisfactory.

<sup>c</sup> Rating taken from technical assistance performance report.

Source: Regrouped from relevant databases.



Table A7.3: Approved Loans and Grants by Sector in the First Period (1994–2003)

Loan No.	Title	1994–2000		2001–2010		Approved		Completion			Rating	
		Prim./Sec. Objectives	Pov./Thematic Classification	Amount \$ million	%	Approval Date	Completion Date	PCR	PVR	PPER		
<b>Agriculture and Natural Resources</b>												
<b>- Agricultural Production and Markets</b>												
1.	1726	EG/PR		36.0	7	20-Dec-99	01-Mar-06	S	NA	NA	NA	NA
	<b>Subsector Total</b>			<b>36.0</b>	<b>7</b>							
<b>- Agriculture and Rural Sector Development</b>												
2.	1407	EG		40.0	8	23-Nov-95	31-Dec-97	PS	NA	NA	S	S
	<b>Subsector Total</b>			<b>40.0</b>	<b>8</b>							
	<b>Sector Total</b>			<b>76.0</b>	<b>14</b>							
<b>Energy</b>												
<b>- Energy Utility Services</b>												
3.	1443	EG		30.0	6	06-Jun-96	31-Dec-01	S	NA	NA	NA	NA
	<b>Subsector Total</b>			<b>30.0</b>	<b>6</b>							
	<b>Sector Total</b>			<b>30.0</b>	<b>6</b>							
<b>Finance and Private Sector Development</b>												
<b>- Banking Systems</b>												
4.	1723	EG		35.0	8	17-Dec-99	27-Feb-02	S	NA	NA	NA	NA
	<b>Subsector Total</b>			<b>35.0</b>	<b>8</b>							
5.	1724	EG		1.0	7	17-Dec-99	27-Feb-02	S	NA	NA	NA	NA
	<b>Subsector Total</b>			<b>36.0</b>	<b>7</b>							
<b>- Microfinance</b>												
6.	1529	EG		12.5	2	21-Aug-97	30-Sep-04	PS	NA	NA	NA	NA
	<b>Subsector Total</b>			<b>12.5</b>	<b>2</b>							
<b>- Trade and Services</b>												
7.	1926	EG/RC/GG		15.0	3	29-Oct-02	17-Sep-04	S	NA	NA	NA	NA
	<b>Subsector Total</b>			<b>15.0</b>	<b>3</b>							
	<b>Sector Total</b>			<b>63.5</b>	<b>12</b>							
<b>Multisector</b>												
8.	1342	G/SC		40.0		08-Dec-94	09-Nov-98	GS	NA	NA	NA	NA
9.	1633	EG/P		5.0		24-Sep-98	15-Aug-02	S	NA	NA	S	S

Loan No.	Title	1994-2000		2001-2010		Approved		Completion			Rating	
		Prim./Sec. Objectives	Classification	Pov./Thematic	Classification	Amount \$ million	%	Approval Date	Completion Date	PCR	PVR	PPER
10.	1742	Community-Based Infrastructure Services Sector	P/HD		36.0		08-Jun-00	30-Apr-09	PS	PS	NA	
11.	2045	Emergency Rehabilitation		EG/P	5.0		11-Dec-03	30-Sep-07	S	S	NA	
	<b>Subsector Total</b>				<b>86.0</b>	<b>16</b>						
	<b>Sector Total</b>				<b>86.0</b>	<b>16</b>						
	<b>Public Sector Management</b>											
	<b>- Economic and Public Affairs Management</b>											
12.	1546	Corporate Governance and Enterprise Reform Program	EG		40.0		25-Sep-97	09-Dec-00	GS	NA	PS	
13.	1547	Capacity Building in Corporate Governance and Insolvency Procedures	EG		4.0		25-Sep-97	31-Dec-04	S	S	NA	
14.	1860	Corporate Governance and Enterprise Reform Program (Phase II)	EG		35.0		22-Nov-01	02-Sep-04	S	NA	NA	
	<b>Subsector Total</b>				<b>79.0</b>	<b>15</b>						
	<b>Sector Total</b>				<b>79.0</b>	<b>15</b>						
	<b>Education</b>											
	<b>- Basic Education</b>											
15.	1554	Education Sector Development Program	HD		19.0		29-Sep-97	01-Dec-03	S	NA	NA	
16.	1555	Education Sector Development	HD		13.7		29-Sep-97	01-Dec-03	S	NA	NA	
	<b>Subsector Total</b>				<b>32.7</b>	<b>6</b>						
	<b>Sector Total</b>				<b>32.7</b>	<b>6</b>						
	<b>Health</b>											
	<b>- Primary Health Care and Social Services Delivery</b>											
17.	1645	Social Services Delivery and Finance	HD/P		10.0		27-Nov-98	31-Dec-03	S	NA	NA	
18.	2007	Community-Based Early Childhood Development		CPI/HD/GD	10.5		29-Sep-03	31-Oct-10	S	S	NA	
	<b>Subsector Total</b>				<b>20.5</b>	<b>4</b>						
	<b>Sector Total</b>				<b>20.5</b>	<b>4</b>						
	<b>Transport and ICT</b>											
	<b>- Road Transport</b>											
19.	1444	Road Rehabilitation	EG		50.0		13-Jun-96	10-Jul-01	S	NA	S	
20.	1630	Second Road Rehabilitation	EG		50.0		10-Sep-98	01-Aug-05	S	NA	S	

Loan No.	Title	1994–2000		2001–2010		Approved		Completion			Rating	
		Prim./Sec. Objectives	Pov./Thematic Classification	Amount \$ million	%	Approval Date	Completion Date	PCR	PVR	PPER		
21.	Almaty-Bishkek Regional Road Rehabilitation (Regional)	EG		5.0		31-Oct-00	31-Dec-03	S	S	S	PS	
22.	Third Road Rehabilitation		EG/P	40.0		31-Oct-01	30-Jul-07	S	S	S	S	
<b>Subsector Total</b>				<b>145.0</b>	<b>27</b>							
<b>Sector Total</b>				<b>145.0</b>	<b>27</b>							
<b>Total</b>				<b>532.7</b>	<b>100</b>							

ADB = Asian Development Bank, CPI = core poverty intervention, EG = economic growth, GG = good governance, G/SC = growth with social concerns, GS = generally successful, HD = human development, NA = not applicable/available, P/Pov. = poverty, PCR = project/program completion report, PPER = project/program performance evaluation report, PR = poverty reduction, Prim. = primary, PS = partly successful, PSD = private sector development, PVR = project/program validation report, Sec. = secondary, RC = regional cooperation, S = successful, Sec. = secondary, TA = technical assistance.

Note: Numbers may not sum precisely because of rounding.

Source: Asian Development Bank database.

Table A7.4: Approved Advisory Technical Assistance by Sector in the First Period (1994–2003)

ADTA No.	Title	Approved Amount		Approval Date	Rating TCR	
		\$	%			
<b>Agriculture and Natural Resources</b>						
<b>- Agriculture and Rural Sector Development</b>						
1.	2450 <sup>a</sup>	Reorganization and Strengthening of the Ministry of Agriculture and Food	1,324,000		23-Nov-95	PS
2.	3035	Capacity Building in the Ministry of Agriculture and Water Resources	470,000		29-Jun-98	PS
3.	3347	Institutional Strengthening in Planning and Management of Agricultural Development	800,000		20-Dec-99	S
4.	3439	Capacity Building in the Ministry of Agriculture and Water Resources (Phase II)	585,000		11-May-00	U
	<b>Subsector Total</b>		<b>3,179,000</b>	<b>14</b>		
<b>- Irrigation, Drainage, and Flood Protection</b>						
5.	2451 <sup>a</sup>	Building Capacity for the Formation and Management of Water Users Associations	861,000		23-Nov-95	S
	<b>Subsector Total</b>		<b>861,000</b>	<b>4</b>		
<b>- Land-Based Natural Resources Management</b>						
6.	2397	Strengthening Environmental Institutions and Improving Procedures for EIA	556,000		13-Sep-95	PS
7.	2934	Environmental Monitoring and Management Capacity Building	598,000		11-Dec-97	HS
8.	3499	Environmental Monitoring and Management Capacity Building II	650,000		11-Sep-00	PS
	<b>Subsector Total</b>		<b>1,804,000</b>	<b>8</b>		
	<b>Sector Total</b>		<b>5,844,000</b>	<b>26</b>		
<b>Energy</b>						
<b>- Energy Sector Development</b>						
9.	2542	Revaluation and Tariff Study for KNEHC	310,000		13-Mar-96	GS
	<b>Subsector Total</b>		<b>310,000</b>	<b>1</b>		
	<b>Sector Total</b>		<b>310,000</b>	<b>1</b>		
<b>Finance and Private Sector Development</b>						
<b>- Banking Systems</b>						
10.	2220	Strengthening of the Banking System	600,000		05-Dec-94	GS
	<b>Subsector Total</b>		<b>600,000</b>	<b>3</b>		
<b>- Finance Sector Development</b>						
11.	3239	Institutional Strengthening of the Financial Sector	600,000		09-Aug-99	HS
12.	4069	Financial Sector Reforms	600,000		19-Dec-02	S
	<b>Subsector Total</b>		<b>1,200,000</b>	<b>5</b>		
<b>- Trade and Services</b>						
13.	2297	Industry and Trade Sector Study	600,000		03-Feb-95	GS
	<b>Subsector Total</b>		<b>600,000</b>	<b>3</b>		

ADTA No.	Title	Approved Amount		Approval Date	Rating	
		\$	%		TCR	
<b>- Microfinance</b>						
14.	4068	Capacity Building in Savings and Credit Unions and Microfinancial Systems	550,000		19-Dec-02	PS
		<b>Sector Total</b>	<b>2,950,000</b>	<b>13</b>		
<b>Multisector</b>						
15.	3452	Institutional Strengthening for Community-Based Infrastructure Services	650,000		08-Jun-00	S
		<b>Subsector Total</b>	<b>650,000</b>	<b>3</b>		
		<b>Sector Total</b>	<b>650,000</b>	<b>3</b>		
<b>Public Sector Management</b>						
<b>- Economic and Public Affairs Management</b>						
16.	2175	Seminars on Bank Operational Policies and Procedures in 1995 and 1998	80,000		28-Sep-94	
17.	2226	Institutional Support for Procurement and Disbursement	476,000		08-Dec-94	
18.	2473	Strengthening the Ministry of Economy	850,000		14-Dec-95	
19.	2876	Strengthening the Economic Policy Making and Monitoring Capabilities of the PM's Office	800,000		25-Sep-97	PS
20.	2982	Seminars on Bank Operational Policies and Procedures – Phase II in 1998 and 1999	114,000		23-Jan-98	
21.	3204	Strengthening Aid Coordination and Management	124,000		09-Jun-99	
22.	3458	Support to National Strategy for Poverty Reduction	600,000		14-Jun-00	S
23.	3505	Second Phase of the Corporate Governance and Enterprise Reform Program	700,000		28-Sep-00	
24.	3658	Governance Assessment Study for Sound Development Management and Poverty Reduction	100,000		28-May-01	
25.	3996	Strengthening the Capacity to Manage and Monitor Externally Assisted Projects	580,900		21-Nov-02	S
		<b>Subsector Total</b>	<b>4,424,900</b>	<b>20</b>		
<b>- Public Administration</b>						
26.	2712	Preparation and Implementation of Guidelines on Best Practice in Corporate Governance	100,000		13-Dec-96	
27.	3249	Strengthening Capacity in the Office of the President	335,000		30-Aug-99	S
28.	3779	Strengthening Corporate Governance and Judicial Reforms	850,000		22-Nov-01	PS
29.	3859	Strengthening Capacity in the Office of the President (Phase II)	500,000		24-Apr-02	S
		<b>Subsector Total</b>	<b>1,785,000</b>	<b>8</b>		
<b>- Public Expenditure and Fiscal Management</b>						
30.	3382	Strengthening Capacity of the Ministry of Finance for Financial Management and Planning of the Public Investment Program	463,500		28-Dec-99	S

ADTA No.	Title	Approved Amount		Approval Date	Rating TCR	
		\$	%			
31.	3767	Strengthening Capacity of the Ministry of Finance for Financial Management and Planning of the Public Investment Program (Phase II)	600,000		13-Nov-01	S
	<b>Subsector Total</b>	<b>1,063,500</b>	<b>5</b>			
	<b>Sector Total</b>	<b>7,273,400</b>	<b>32</b>			
<b>Education</b>						
<b>- Basic Education</b>						
32.	2290	Education and Training Master Plan	900,000		17-Jan-95	S
33.	2879	Strengthening of Education Planning and Administration	930,000		29-Sep-97	PS
	<b>Subsector Total</b>	<b>1,830,000</b>	<b>8</b>			
	<b>Sector Total</b>	<b>1,830,000</b>	<b>8</b>			
<b>Health</b>						
<b>- Primary Health Care and Social Services Delivery</b>						
34.	3106	Institutional Strengthening for Social Services	634,000		27-Nov-98	S
35.	4187	Institutional Strengthening for Community-Based Early Childhood Development Delivery and Finance	500,000		29-Sep-03	HS
	<b>Subsector Total</b>	<b>1,134,000</b>	<b>5</b>			
	<b>Sector Total</b>	<b>1,134,000</b>	<b>5</b>			
<b>Transport</b>						
<b>- Road Transport</b>						
36.	2587 <sup>b</sup>	Institutional Strengthening of the Road Sector	800,000		13-Jun-96	S
37.	3065	Policy Support in the Transport Sector	600,000		10-Sep-98	PS
38.	3531 <sup>c</sup>	Improvement of the Road Sector Efficiency	440,000		31-Oct-00	S
39.	3757	Institutional Support in the Transport Sector	650,000		31-Oct-01	S
	<b>Subsector Total</b>	<b>2,490,000</b>	<b>11</b>			
	<b>Sector Total</b>	<b>2,490,000</b>	<b>11</b>			
	<b>Total</b>	<b>22,481,400</b>	<b>100</b>			

ADB = Asian Development Bank, ADTA = advisory technical assistance, EIA = environmental impact assessment, GS = generally successful, HS = highly successful, KNEHC = Kyrgyz National Energy Holding Company, PM = prime minister, PS = partly successful, S = satisfactory/successful, TCR = technical assistance completion report, U = unsuccessful.

Note: Numbers may not sum precisely because of rounding.

<sup>a</sup> Technical assistance was rated in relevant project/program performance audit report.

<sup>b</sup> Rating taken from technical assistance performance report.

<sup>c</sup> Rating is satisfactory.

Source: Regrouped from relevant databases.

Table A7.5: Approved Loans and Grants by Sector in the Second Period (2004–2006)

Loan No.	Title	2001–2010		Approved		Completion Date	Rating		
		Pov./Thematic Classification	Amount \$ million	%	Approval Date		PCR	PVR	PPER
<b>Agriculture and Natural Resources</b>									
<b>- Agriculture and Rural Sector Development</b>									
1.	9059 <sup>a</sup>	Rural Livelihood Development	EG	1.0	15-Dec-04	NA	S	NA	NA
<b>Subsector Total</b>				<b>1.0</b>					
<b>Sector Total</b>				<b>1.0</b>					
<b>Finance and Private Sector Development</b>									
<b>- Banking Systems</b>									
2.	2224	Banking Sector and Capital Market Development Program	EG/G/PSD	15.5	20-Dec-05	25-Nov-09	PS	NA	NA
<b>Subsector Total</b>				<b>15.5</b>					
<b>Sector Total</b>				<b>15.5</b>					
<b>- Trade and Services</b>									
3.	2113	Regional Customs Modernization and Infrastructure Development	EG/RC/GG	7.5	26-Nov-04	Active			
<b>Subsector Total</b>				<b>7.5</b>					
<b>Sector Total</b>				<b>23.0</b>					
<b>Multisector</b>									
4.	9055 <sup>a</sup>	Reducing Vulnerability of the Poor to Natural Disasters	DRR	1.0	08-Sep-04	Sep-09	NA	NA	NA
<b>Subsector Total</b>				<b>1.0</b>					
<b>Sector Total</b>				<b>1.0</b>					
<b>Education</b>									
<b>- Basic Education</b>									
5.	0020 <sup>b</sup>	Second Education	ISD	19.0	27-Oct-05	Active			
<b>Subsector Total</b>				<b>19.0</b>					
<b>Sector Total</b>				<b>19.0</b>					
<b>Health</b>									
<b>- Primary Health Care and Social Services Delivery</b>									
6.	9056 <sup>a</sup>	Reducing Neonatal Mortality	ISD	1.0	08-Sep-04	31-Jan-10	NA	NA	NA
<b>Subsector Total</b>				<b>1.0</b>					
<b>Sector Total</b>				<b>1.0</b>					

Loan No.	Title	2001–2010		Approval Date	Completion Date	Rating	
		Pov./Thematic Classification	Approved Amount \$ million			PCR	PVR
<b>Transport</b>							
<b>- Road Transport</b>							
7.	Southern Transport Corridor Road Rehabilitation	EG/RC	32.8	23-Nov-04	30-Sep-10	S	NA NA
<b>Subsector Total</b>			<b>32.8</b>	<b>42</b>			
<b>Sector Total</b>			<b>32.8</b>	<b>42</b>			
<b>Total</b>			<b>77.8</b>	<b>100</b>			

ADB = Asian Development Bank, DRR = disaster risk reduction, EG = economic growth, G = governance, GG = good governance, ISD = inclusive social development, NA = not applicable/available, Pov. = poverty, PCR = project/program completion report, PPER = project/program performance evaluation report, PS = partly successful, PSD = private sector development, PVR = project/program validation report, RC = regional cooperation, S = successful.

Note: Numbers may not sum precisely because of rounding.

<sup>a</sup> Japan Fund for Poverty Reduction.

<sup>b</sup> Asian Development Fund grant.

Source: Regrouped from relevant databases.



Table A7.6: Approved Advisory Technical Assistance by Sector in the Second Period (2004–2006)

ADTA No.	Title	Approved Amount		Approval Date	Rating TCR	
		\$	%			
<b>Agriculture and Natural Resources</b>						
<b>- Agriculture and Rural Sector Development</b>						
1.	4408	A Study of the Impact of Land Reform on Agriculture, Poverty Reduction, and Environment	400,000		12-Oct-04	U
2.	4408	A Study of the Impact of Land Reform on Agriculture, Poverty Reduction, and Environment (Supplementary)	130,000		25-Jan-06	U
3.	4409	Agriculture Strategy Formulation	600,000		12-Oct-04	S
		<b>Subsector Total</b>	<b>1,130,000</b>	<b>25</b>		
<b>- Irrigation, Drainage, and Flood Protection</b>						
4.	4405	The Study on Pricing Systems and Cost-Recovery Mechanisms for Irrigation	300,000		11-Oct-04	S
		<b>Subsector Total</b>	<b>300,000</b>	<b>7</b>		
		<b>Sector Total</b>	<b>1,430,000</b>	<b>32</b>		
<b>Finance and Private Sector Development</b>						
<b>- Trade and Services</b>						
5.	4450	Capacity Building and Institutional Strengthening for Customs Modernization and Infrastructure Development	500,000		26-Nov-04	S
		<b>Subsector Total</b>	<b>500,000</b>	<b>11</b>		
<b>- Money and Capital Markets</b>						
6.	4747	Supporting Banking Sector and Capital Market Development Program	600,000		20-Dec-05	S
		<b>Subsector Total</b>	<b>600,000</b>	<b>13</b>		
		<b>Sector Total</b>	<b>1,100,000</b>	<b>24</b>		
<b>Public Sector Management</b>						
<b>- Decentralization</b>						
7.	4801	Development of a Monitoring and Evaluation System at Oblast Level	300,000		16-Jun-06	S
		<b>Subsector Total</b>	<b>300,000</b>	<b>7</b>		
<b>- Economic and Public Affairs Management</b>						
8.	4705 <sup>a</sup>	Support to the Development and Implementation of the National Poverty Reduction Strategy II	400,000		29-Nov-05	S
		<b>Subsector Total</b>	<b>400,000</b>	<b>9</b>		
		<b>Sector Total</b>	<b>700,000</b>	<b>15</b>		
<b>Health</b>						
<b>- Primary Health Care and Social Services Delivery</b>						
9.	4445	Awareness and Prevention of HIV/AIDS, Sexually Transmitted Infections, and Human Trafficking	500,000		23-Nov-04	
		<b>Subsector Total</b>	<b>500,000</b>	<b>11</b>		
		<b>Sector Total</b>	<b>500,000</b>	<b>11</b>		

ADTA No.	Title	Approved Amount		Approval Date	Rating TCR
		\$	%		
<b>Transport</b>					
<b>- Road Transport</b>					
10.	4444	Improving Road Maintenance and Strengthening the Transport Sector Corridor Management Department		23-Nov-04	S
	<b>Subsector Total</b>	<b>800,000</b>	<b>18</b>		
	<b>Sector Total</b>	<b>800,000</b>	<b>18</b>		
	<b>Total</b>	<b>4,530,000</b>	<b>100</b>		

ADB = Asian Development Bank, ADTA = advisory technical assistance, HIV/AIDS = human immunodeficiency virus/acquired immune deficiency syndrome, S = satisfactory/successful, TCR = technical assistance completion report, U = unsuccessful.

Note: Numbers may not sum precisely because of rounding.

<sup>a</sup> Technical assistance was rated in relevant project/program performance audit report.

Source: Regrouped from relevant databases.

Table A7.7: Approved Loans and Grants by Sector in the Third Period (2007–2010)

Loan No.	Title	2001–2010		Approval Date	Completion Date	Rating	
		Pov./Thematic Classification	Approved Amount \$ million			PCR	PVR
<b>Agriculture and Natural Resources</b>							
1.	2314 Southern Agriculture Area Development	EG/ES	15.0	29-Jan-07	Cancelled	U	NA NA
<b>Subsector Total</b>			<b>15.0</b>	<b>4</b>			
<b>- Agriculture and Rural Sector Development</b>							
2.	0073 <sup>a</sup> Southern Agriculture Area Development	EG/ES	5.0	29-Jan-07	03-Nov-09	NA	NA NA
<b>Subsector Total</b>			<b>5.0</b>	<b>1</b>			
<b>Sector Total</b>			<b>20.0</b>	<b>5</b>			
<b>Energy</b>							
<b>- Electricity Transmission and Distribution</b>							
3.	2671 Power Sector Improvement	EG/CD/RCI	16.7	27-Sep-10	Active		
4.	0218 <sup>a</sup> Power Sector Improvement	ED/CD/RCI	28.1	27-Sep-10	Active		
<b>Subsector Total</b>			<b>44.8</b>	<b>11</b>			
<b>Sector Total</b>			<b>44.8</b>	<b>11</b>			
<b>Finance and Private Sector Development</b>							
<b>- Investment Climate</b>							
5.	0120 <sup>a</sup> Investment Climate Improvement Program (Subprogram 1)	EG/PSD/CD	12.5	03-Nov-08	19-Jan-09	NA	NA NA
6.	0121 <sup>a</sup> Investment Climate Improvement Program System Support (Project Grant)	EG/PSD/CD	2.9	03-Nov-08	Active		
<b>Subsector Total</b>			<b>15.4</b>	<b>4</b>			
<b>- Small and Medium Enterprise Development</b>							
7.	9104 <sup>b</sup> Improving Livelihoods of Rural Women through Development of Handicrafts Industry	EG/GD/PSD/CD	2.0	17-Jan-07	15-Nov-10	S	NA NA
<b>Subsector Total</b>			<b>2.0</b>	<b>1</b>			
<b>Sector Total</b>			<b>17.4</b>	<b>4</b>			
<b>Multisector</b>							
8.	0122 <sup>a</sup> Community-Based Infrastructure Services Sector (Supplementary)	ISD	30.0	03-Nov-08	Proposed for cancellation		
9.	2668 Emergency Assistance for Recovery and Reconstruction	EG/ES/SD	48.5	23-Sep-10	Active		

Loan No.	Title	2001 – 2010		Approved Amount \$ million	%	Approval Date	Completion Date	Rating		
		Pov./Thematic Classification						PCR	PVR	PPER
10.	0217 <sup>a</sup>	Emergency Assistance for Recovery and Reconstruction	EG/ES/SD	51.5		23-Sep-10	Active			
	<b>Subsector Total</b>			<b>130.0</b>	<b>33</b>					
	<b>Sector Total</b>			<b>130.0</b>	<b>33</b>					
	<b>Public Sector Management</b>									
	- <b>Public Expenditure and Fiscal Management</b>									
11.	0077 <sup>a</sup>	Tax Administration Reform and Modernization	EG/G/CD	10.0		14-Jun-07	Active			
	<b>Subsector Total</b>			<b>10.0</b>	<b>3</b>					
	<b>Sector Total</b>			<b>10.0</b>	<b>3</b>					
	<b>Education</b>									
	- <b>Basic Education</b>									
12.	9108 <sup>b</sup>	Improving Access to Quality Basic Education for Children with Special Needs		13.7		28-May-07	14-Dec-11	S	NA	NA
	<b>Subsector Total</b>			<b>13.7</b>	<b>3</b>					
	- <b>Technical Education and Vocational Skills Training</b>									
13.	0074 <sup>a</sup>	Vocational Education and Skills Development	ISD/CD	10.0		29-Jan-07	Active			
	<b>Subsector Total</b>			<b>10.0</b>	<b>3</b>					
	<b>Sector Total</b>			<b>23.7</b>	<b>6</b>					
	<b>Transport</b>									
	- <b>Road Transport</b>									
14.	0084 <sup>a</sup>	CAREC Regional Road Corridor Improvement (Kyrgyz Republic and Tajikistan)	EG/RC/PSD	25.6		24-Oct-07	Active			
15.	0123 <sup>a</sup>	CAREC Transport Corridor I (Bishkek-Torugart Road)	EG/RC/CD	20.0		14-Nov-08	Active			
16.	2533	CAREC Transport Corridor I (Bishkek-Torugart Road – Project 2)	RC/EG/CD	28.0		14-Jul-09	Active			
17.	0153 <sup>a</sup>	CAREC Transport Corridor I (Bishkek-Torugart Road – Project 2)	EC/EG/CD	22.0		14-Jul-09	Active			
18.	2667	CAREC Regional Road Corridor Improvement (Supplementary)	RCI/EG/PSD	23.0		21-Sep-10	Active			
	<b>Subsector Total</b>			<b>118.6</b>	<b>30</b>					
	<b>Sector Total</b>			<b>118.6</b>	<b>30</b>					

Loan No.	Title	2001 – 2010		Approved		Completion		Rating	
		Pov./Thematic Classification	Amount \$ million	%	Approval Date	Completion Date	PCR	PVR	PPER
<b>Urban Sector Development</b>									
19.	2556	Issyk-Kul Sustainable Development	ES/SD/CD	16.5		30-Sep-09	Active		
20.	0163 <sup>a</sup>	Issyk-Kul Sustainable Development	ES/SD/CD	13.5		30-Sep-09	Active		
<b>Subsector Total</b>				<b>30.0</b>	<b>8</b>				
<b>Sector Total</b>				<b>30.0</b>	<b>8</b>				
<b>Total</b>				<b>394.5</b>	<b>100</b>				

ADB = Asian Development Bank, CAREC = Central Asia Regional Cooperation, CD = capacity development, ED = economic development, EG = economic growth, ES = environmental sustainability, G = governance, GD = gender and development, ISD = inclusive social development, NA = not applicable/available, Pov. = poverty, PCR = project/program completion report, PPER = project/program performance evaluation report, PR = poverty reduction, PSD = private sector development, PVR = project/program validation report, RC = regional cooperation, RCI = regional cooperation and integration, S = successful, SD = social development, TA = technical assistance, U = unsuccessful.

Note: Numbers may not sum precisely because of rounding.

<sup>a</sup> Asian Development Fund grant.

<sup>b</sup> Japan Fund for Poverty Reduction.

Source: Regrouped from relevant databases.

Table A7.8: Approved Advisory Technical Assistance by Sector in the Third Period (2007–2010)

ADTA No.	Title	Approved Amount		Approval Date	Rating TCR	
		\$	%			
<b>Public Sector Management</b>						
<b>- Economic and Public Affairs Management</b>						
1.	7310	Growth Diagnostic and Impact Evaluation in the Kyrgyz Republic	225,000		10-Jul-09	S
	<b>Subsector Total</b>		<b>225,000</b>	<b>18</b>		
<b>- Public Expenditure and Fiscal Management</b>						
2.	4940	Business Process Reengineering and Change Management for Tax Administration Modernization	500,000		14-Jun-07	PS
3.	4941	Institutional Strengthening and Capacity Building for Tax Administration Reform	500,000		14-Jun-07	S
	<b>Subsector Total</b>		<b>1,000,000</b>	<b>82</b>		
	<b>Sector Total</b>		<b>1,225,000</b>	<b>100</b>		
	<b>Total</b>		<b>1,225,000</b>	<b>100</b>		

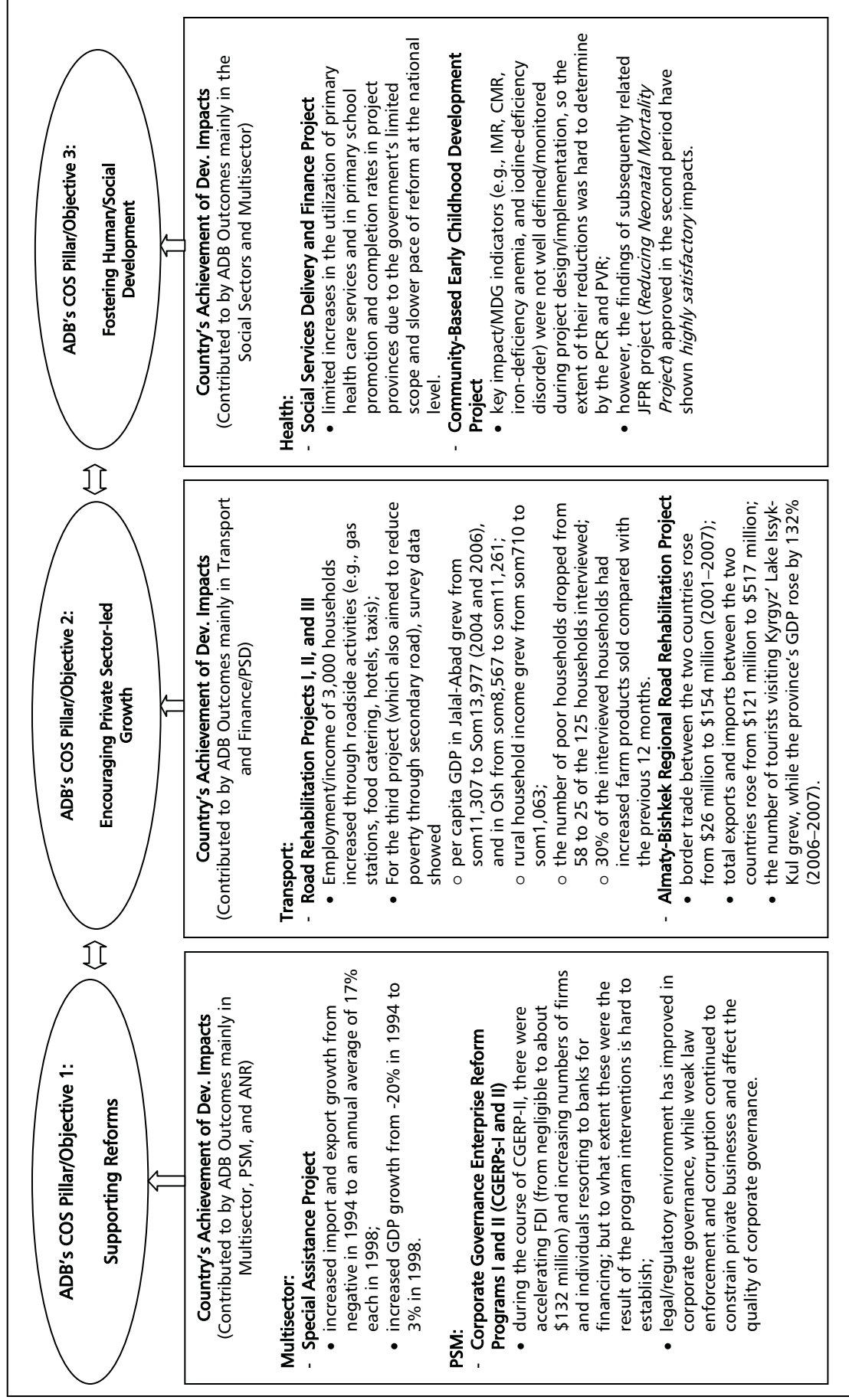
ADB = Asian Development Bank, ADTA = advisory technical assistance, PS = partly successful, S = satisfactory/successful, TCR = technical assistance completion report.

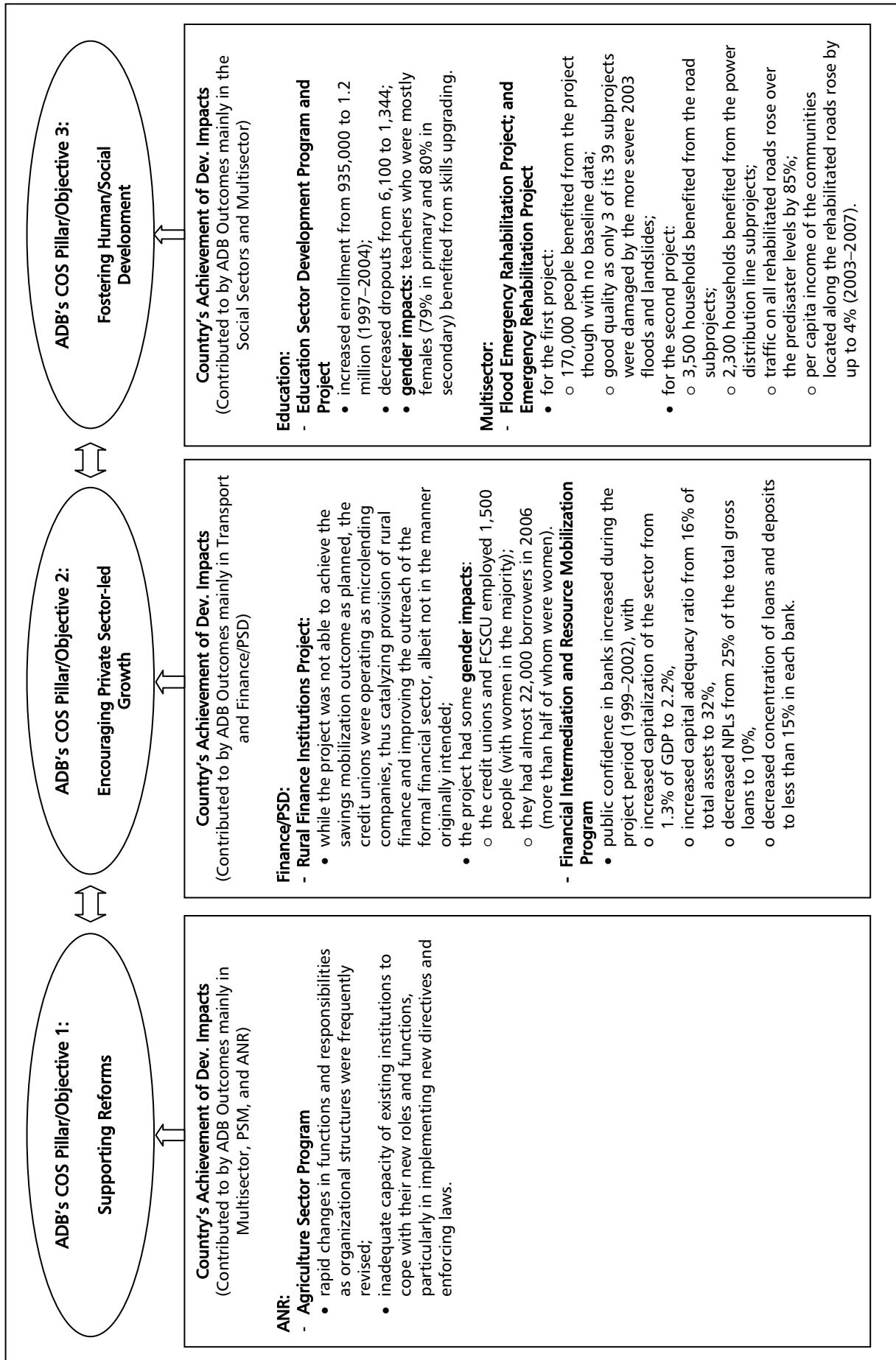
Note: Numbers may not sum precisely because of rounding.

Source: Regrouped from relevant databases.

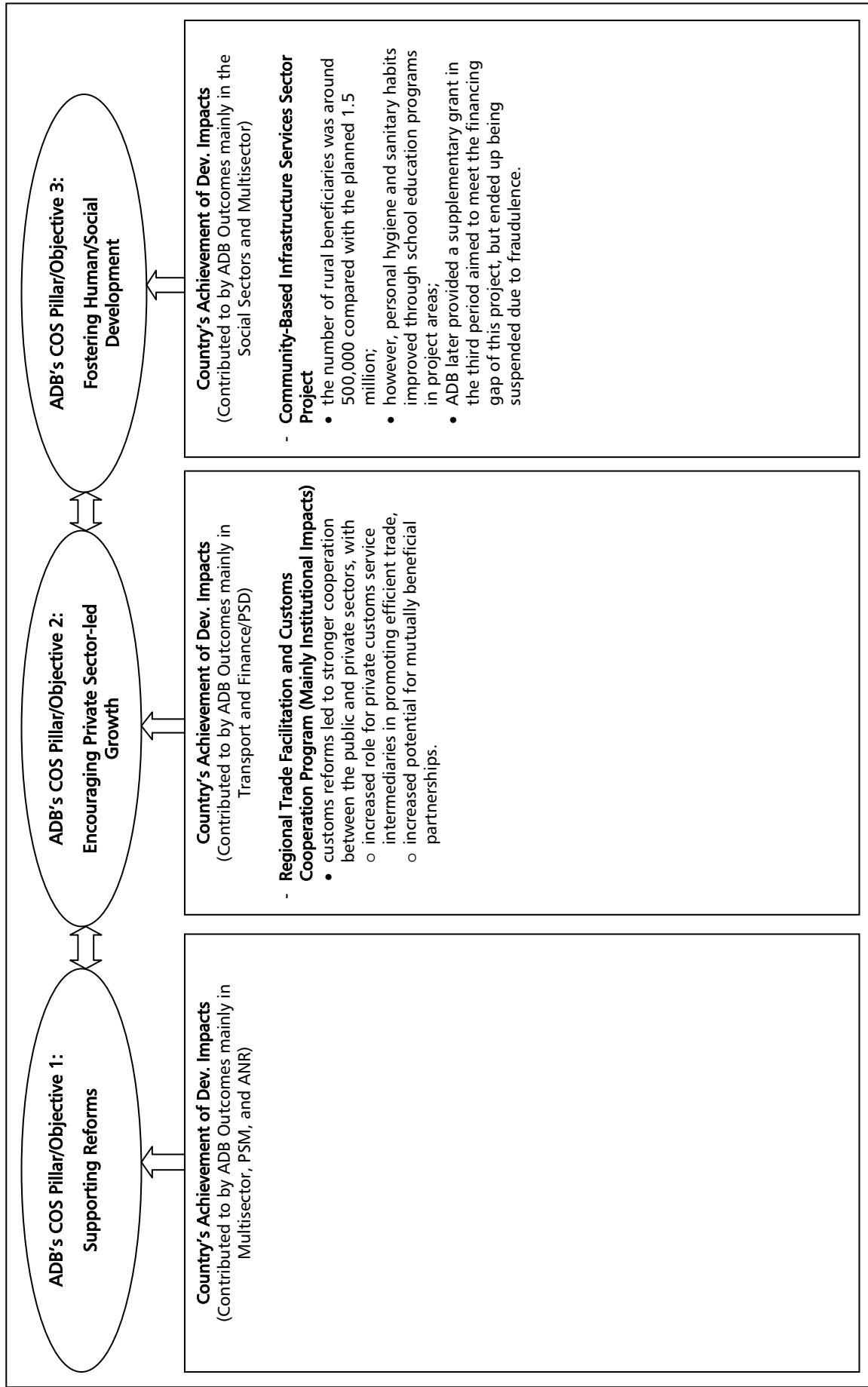
## APPENDIX 8. RESULTS CHAINS LINKING CONTRIBUTIONS OF ADB'S SECTOR OUTCOMES TO THE COUNTRY'S ACHIEVEMENT OF DEVELOPMENT IMPACTS WITH ADB'S COUNTRY STRATEGY OBJECTIVES

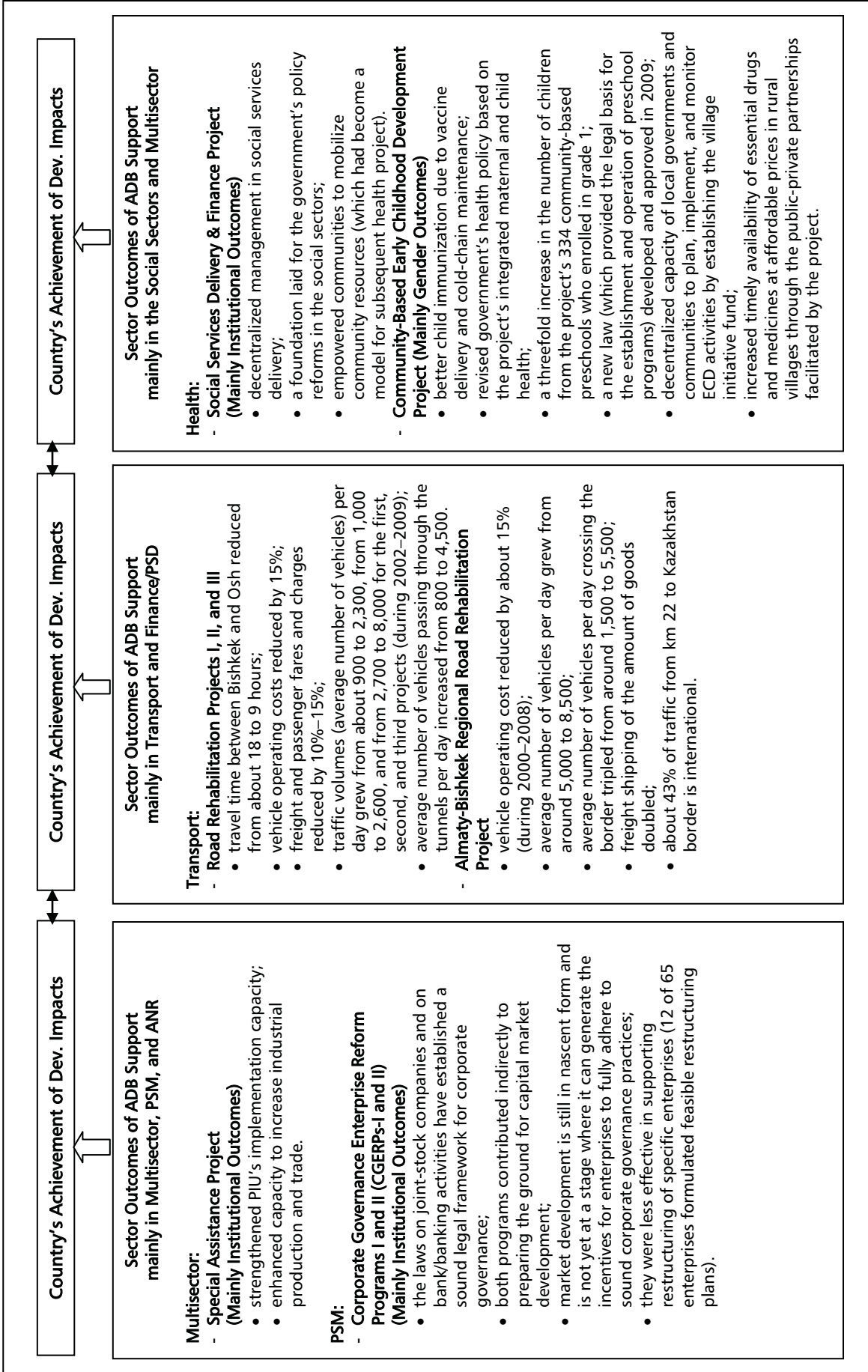
Figure A8.1 First Period (1994–2003)

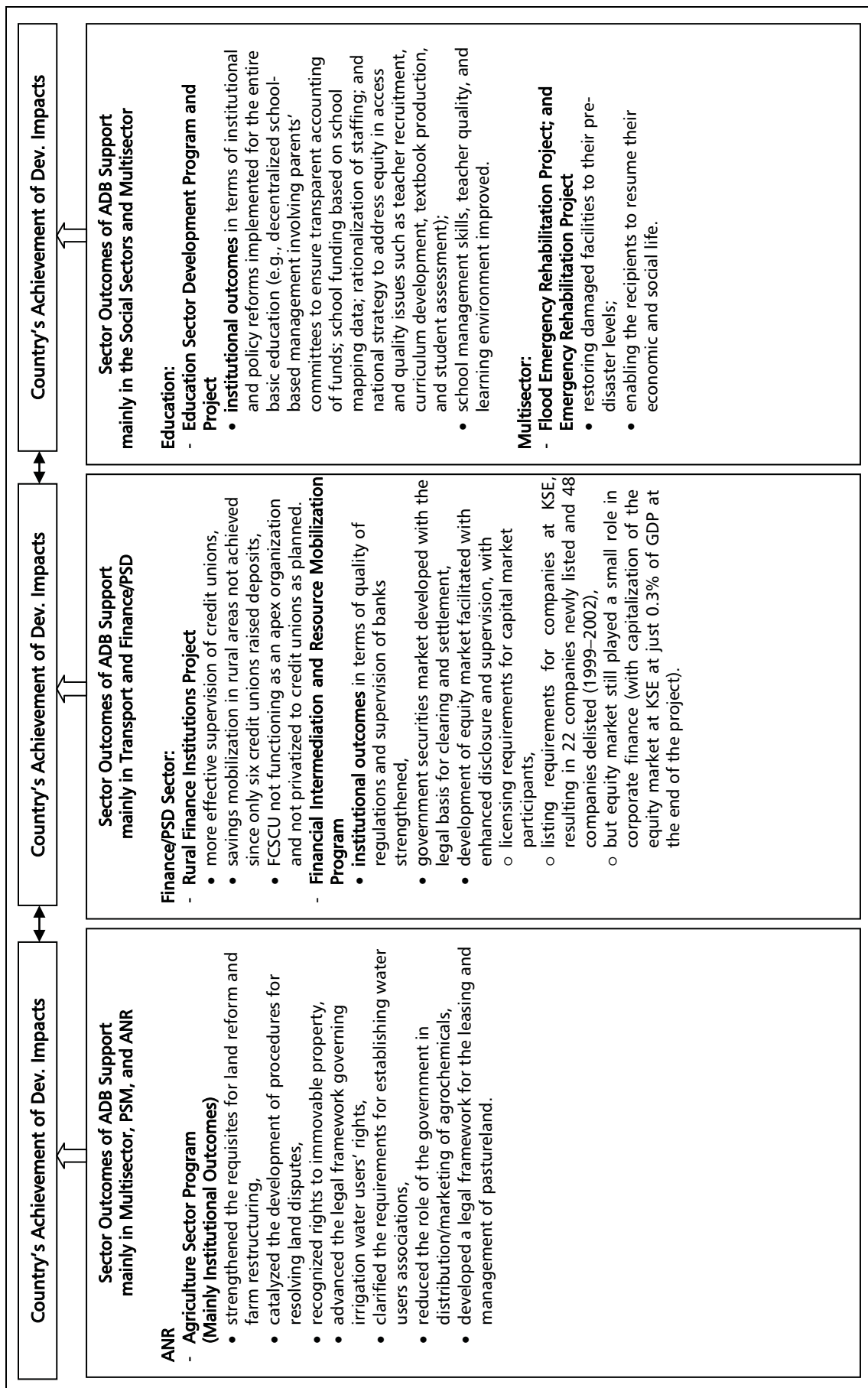


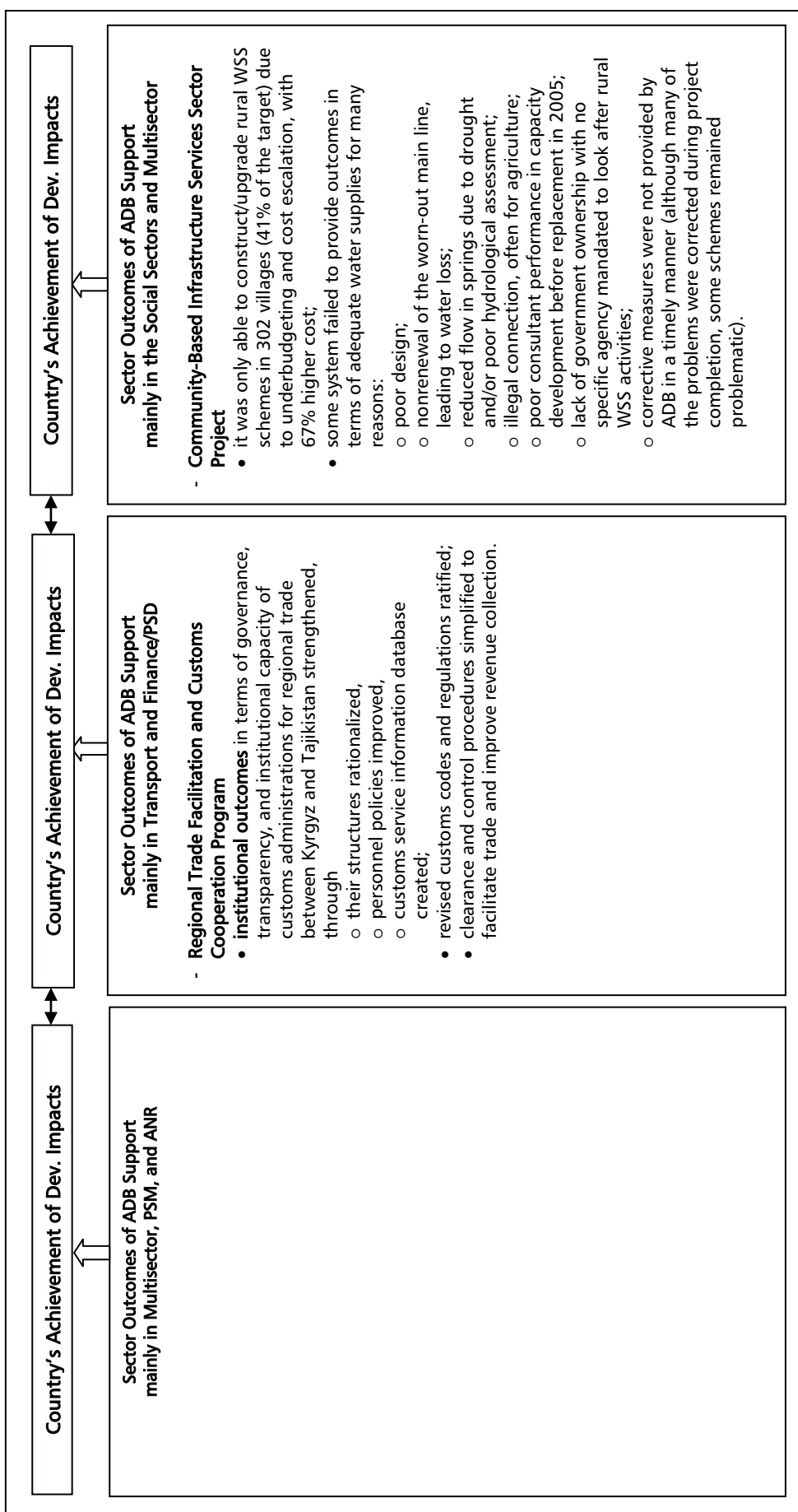






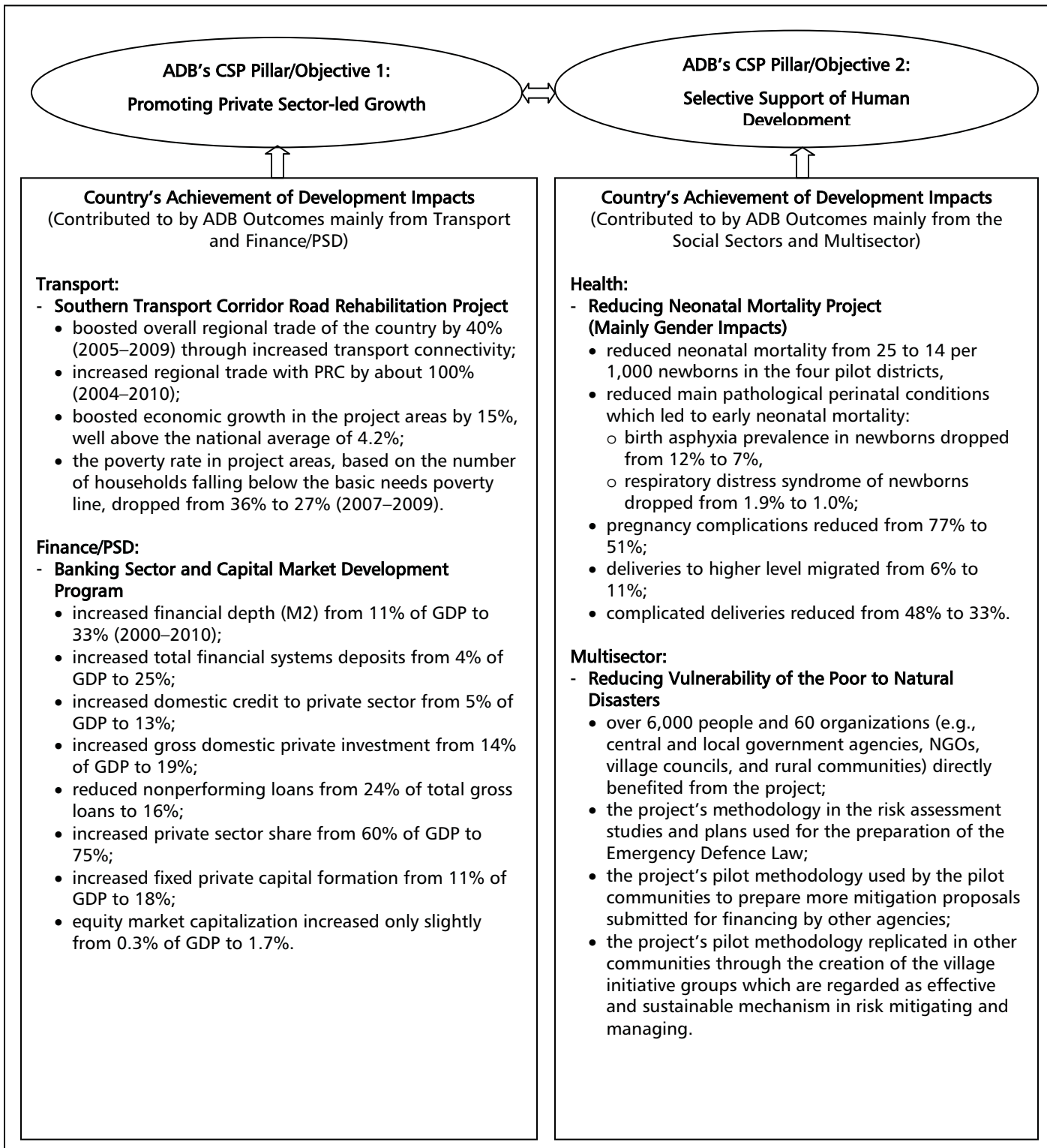


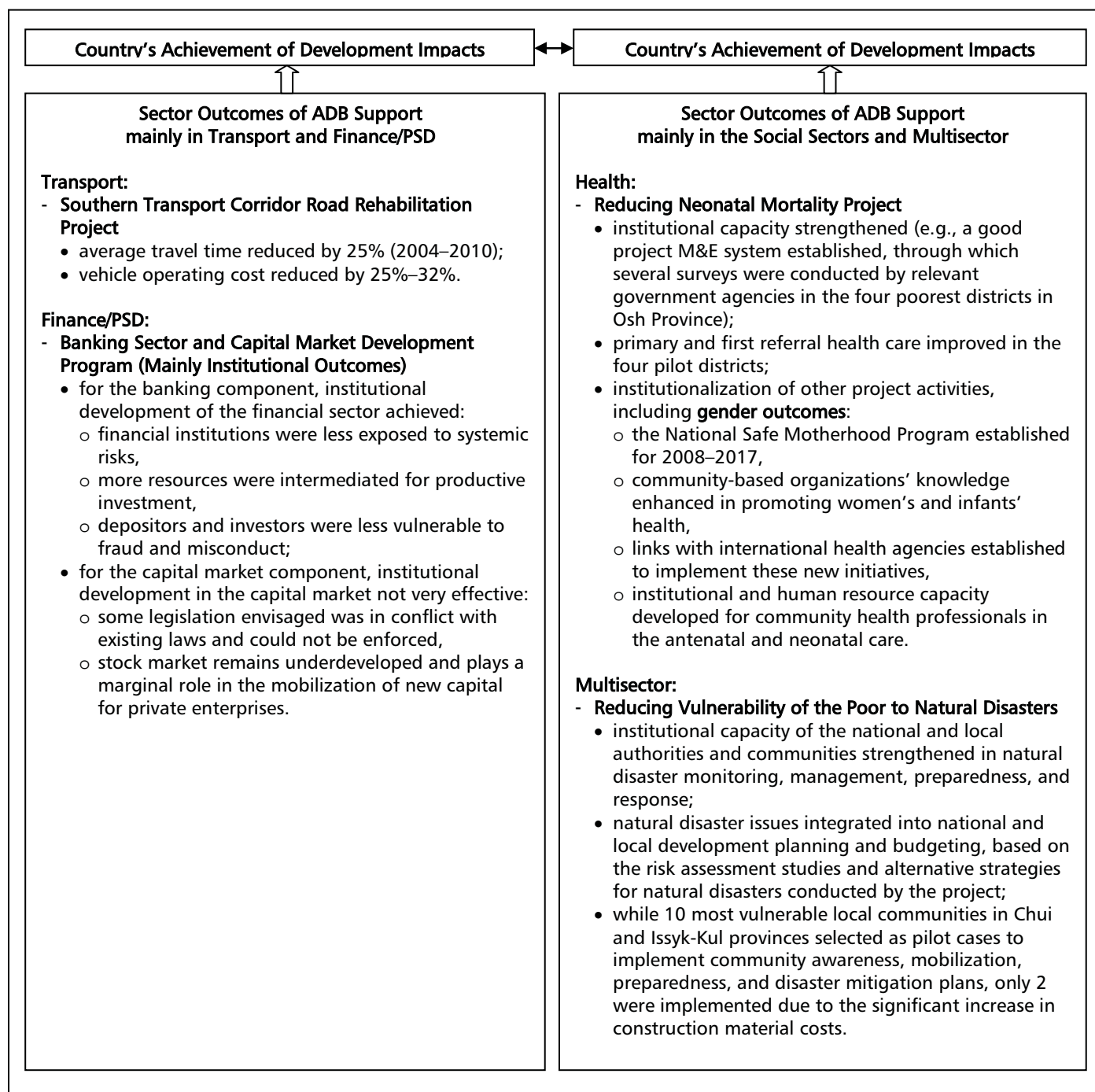




ADB = Asian Development Bank, ANR = agriculture and natural resources, CMR = child mortality rate, COS = country operational strategy, CSP = country strategy and program, Dev. = development, ECD = evaluation capacity development, FCSCU = Financial Company for the Support and Development of Credit Unions, GDP = gross domestic product, JFPR = Japan Fund for Poverty Reduction, IMR = infant mortality rate, KSE = Kyrgyz Stock Exchange, NPL = non-performing loan, PCR = project/program completion report, PSD = private sector development, PSM = public sector management, PVR = project/program validation report, WSS = water supply infrastructure services.  
 Source: 2012 Country Assistance Program Evaluation findings.

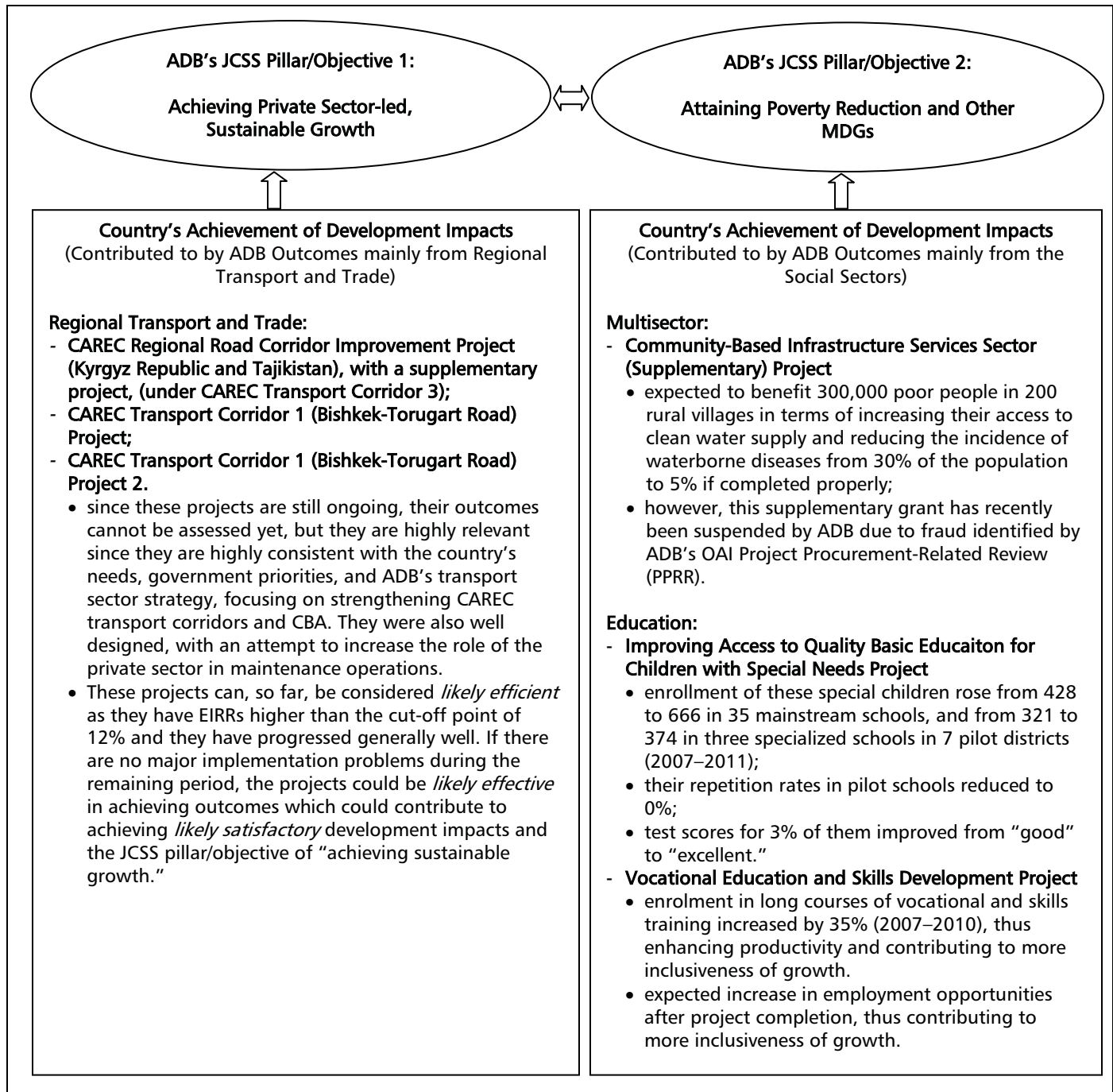
Figure A8.2. Second Period (2004–2006)

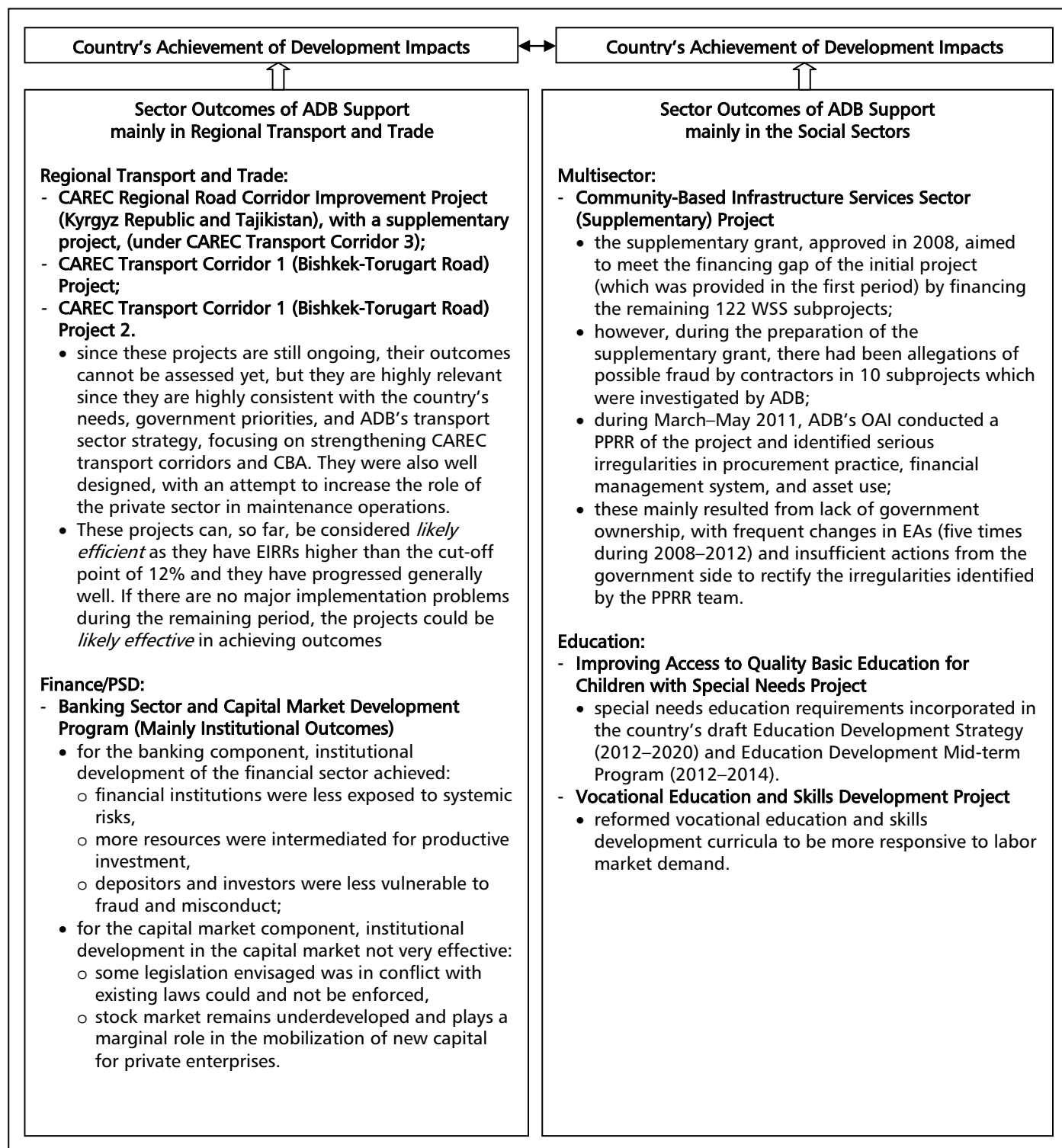




ADB = Asian Development Bank, CSP = country strategy and program, GDP = gross domestic product, M2 = broad money supply, M&E = monitoring and evaluation, NGO = nongovernment organization, PRC = People's Republic of China, PSD = private sector development.  
Source: 2012 Country Assistance Program Evaluation findings.

Figure A8.3. Third Period (2007–2010)



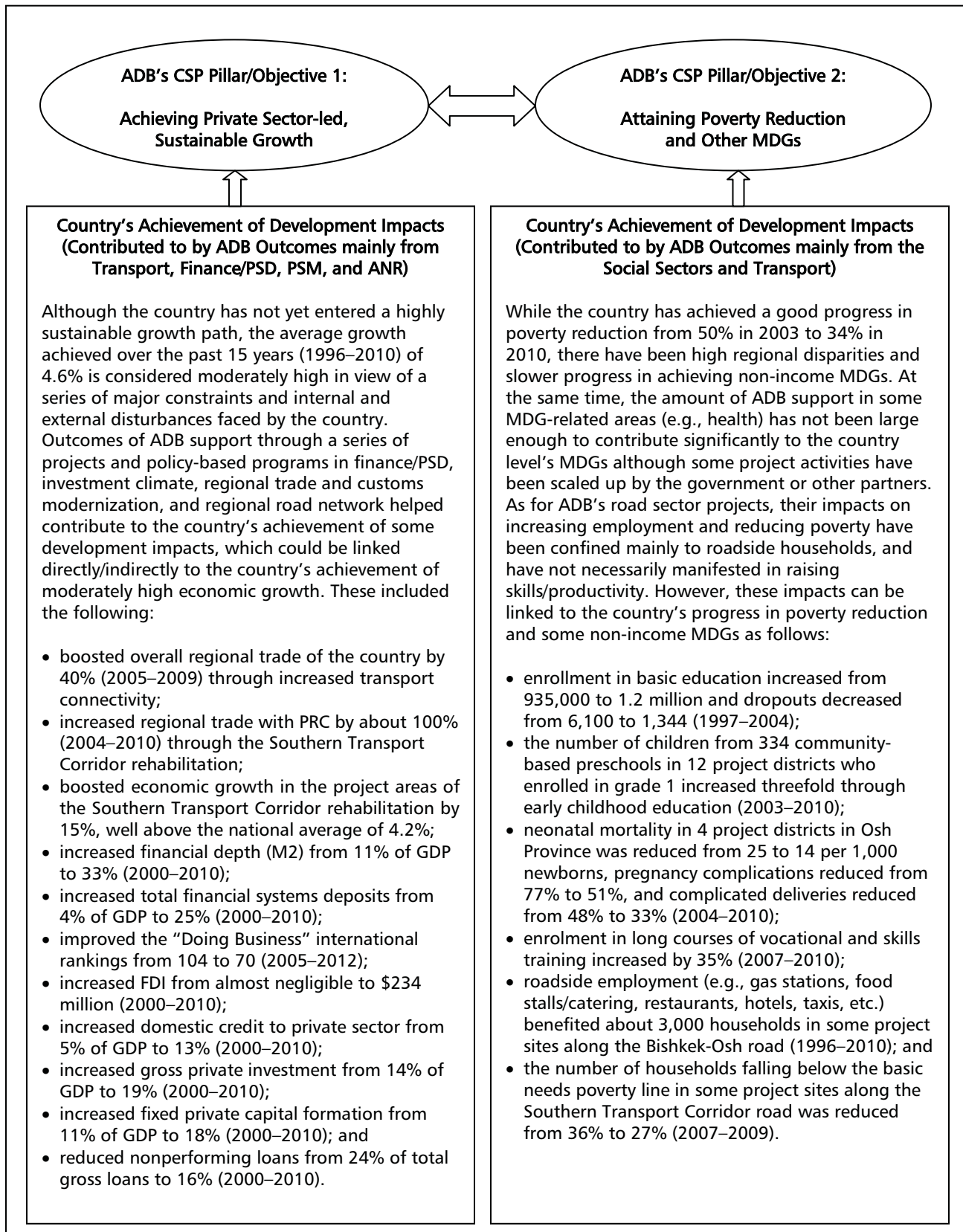


ADB = Asian Development Bank, CAREC = Central Asia Regional Economic Cooperation, CBA = cross-border agreement, EA = executing agency, EIRR = economic internal rate of return, JCSS = joint country support strategy, OAI = Office of Anticorruption and Integrity, PPRR = Project Procurement-Related Review, WSS = water supply infrastructure and services.

Source: 2012 Country Assistance Program Evaluation findings.



Figure A8.4. Three Strategic Periods Combined (1994–2010)



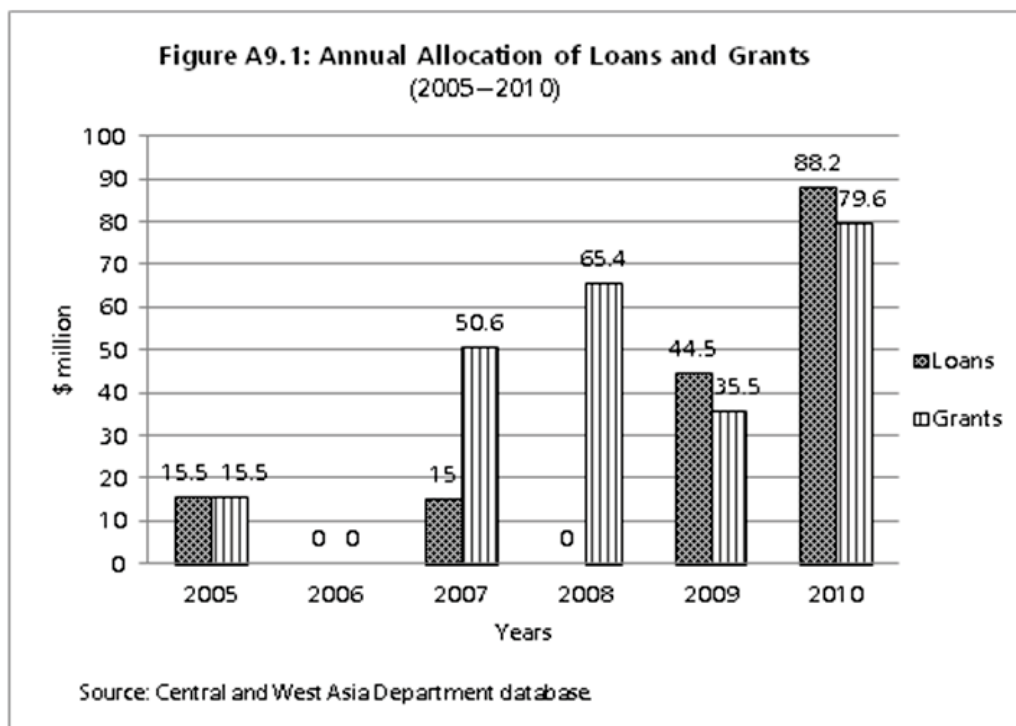
ADB = Asian Development Bank, ANR = agriculture and natural resources, CSP = country strategy and program, FDI = foreign direct investment, GDP = gross domestic product, MDG = Millennium Development Goal, PRC = People's Republic of China, PSD = private sector development, PSM = public sector management.  
Source: 2012 Country Assistance Program Evaluation findings.

## APPENDIX 9. ASSESSMENT OF PORTFOLIO IMPLEMENTATION

### A. Introduction

1. The Asian Development Bank (ADB) is one of the Kyrgyz Republic's largest development partners. As of 31 December 2010, the country had received 31 loans from Asian Development Fund (ADF) resources for \$736.2 million, plus 13 ADF grants for \$250.1 million. The country also received five grants from the Japan Fund for Poverty Reduction (JFPR) for \$18.7 million. In addition to loans and grants, ADB had provided 77 technical assistance (TA) operations amounting to \$43.5 million as of 31 December 2010. Of these, 25 were project preparatory TA for \$15.3 million and the remaining 52 were advisory TA for \$28.2 million for capacity development, policy advice, and institutional strengthening.

2. Lending levels have varied considerably over time. In 1994–1997, the ADB annual lending level increased from \$40 million to \$89.2 million. The volume of lending then declined and fluctuated between \$65 million and \$75 million annually until 2001. In 2002–2003, lending fell to just \$15 million per year as a result of restrictions on foreign borrowings. Following the introduction of ADF grants, the Kyrgyz Republic, in 2007–2008, received funding only on a grant basis. The 2009–2010 allocation came from ADF X, with an indicative figure of \$120.52 million comprising \$53.57 million in grants and \$66.95 million in loans. The actual approval amount for 2009–2010 was \$264.8 million. As of 31 December 2010, the active ADB portfolio of \$372.8 million contained six ADF loans (\$142.7 million), 11 ADF grants (\$229.1 million) and one JFPR grant (\$1 million) (Figure A9.1).



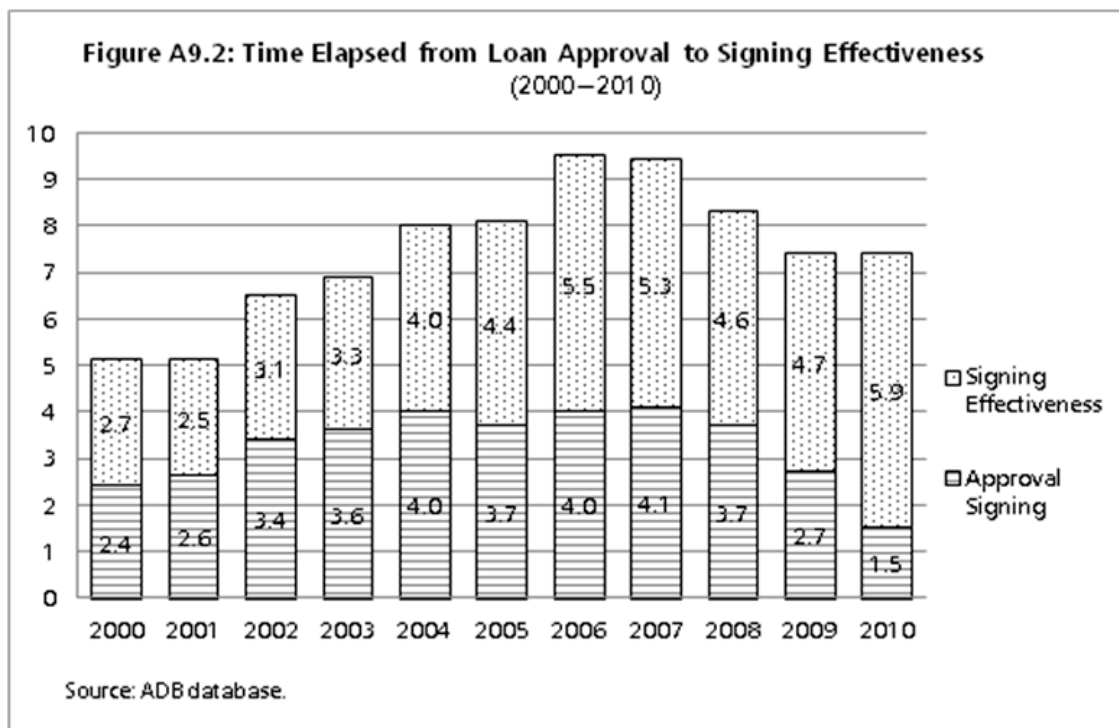
3. ADB has been conducting annual Country Portfolio Reviews (CPRs) for the Kyrgyz Republic since 2004. These have been done jointly with three other major development partners in the country, including the German Development Bank (KfW), the Islamic Development Bank (IsDB), and the World Bank. In 2010, due to political instability, a joint review was not conducted. Assistance from the four

participating development partners constituted 91% of the externally financed public investment program for 2010. Specific aspects of portfolio implementation are discussed below.

## B. Project Processing

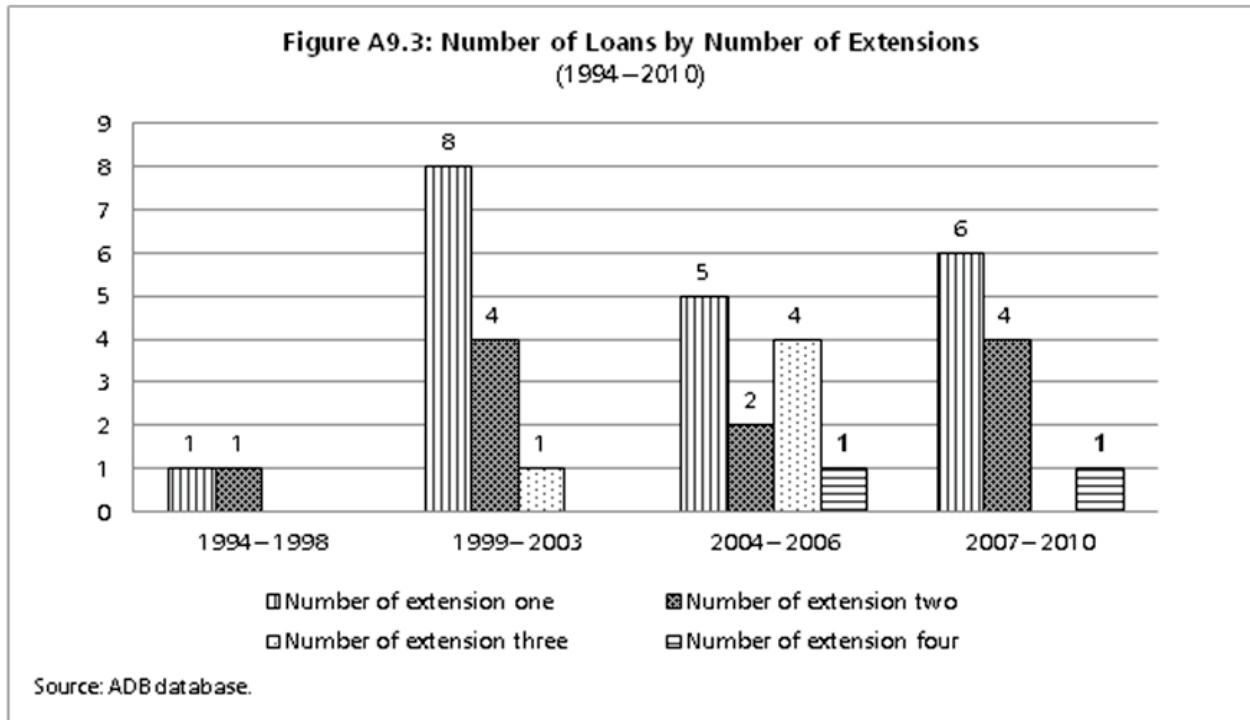
4. Considerable progress has been made in improving the time taken from fact-finding to project approval, and from approval to effectiveness. This is broadly in line with the improvements for the whole of the Central and West Asia Regional Department (CWRD) portfolio, with the Kyrgyz Republic having a similar processing time in the period prior to 2004 and then significantly shorter processing times thereafter.

5. The time from loan approval to signing peaked at 4 months in 2006 and was reduced to 1.5 months in 2010. The time from loan approval to effectiveness has remained on average around 5 months but appeared to be declining during the 2007 period (Figure A9.2). Grants have tended to be processed more quickly than loans. The time required from approval to signing averaged 1.6 months from 2008 to 2010, while the time required from signing to effectiveness averaged just 2.8 months. Start-up delays have been associated with a lack of project readiness and time-consuming project approval procedures in the country. Political instability and a lack of implementation capacity of the executing agencies have also contributed to start-up delays.



6. Historically, project implementation has suffered from considerable delays. Of 31 approved loans, 19 had extensions of the loan closing date. The number of loans requiring extensions has remained similar, with a majority requiring multiple extensions, especially in the 2004–2006 period. Transport, finance, and multisector projects have tended to suffer from the most frequent delays. The main causes of completion delays have been (i) startup delays due to a lack of project readiness; (ii) time-consuming approval procedures in the country; (iii) lack of implementation capacity of the executing agencies contributing to disbursement/procurement delays; (iv) political instability/changes; and (v) construction cost escalation requiring revisions in project scope.

7. Since 2009, CWRD has been implementing a “no extension” policy. This has led to a considerable decrease in both the number and length of extensions. As a result, of the eight active loans during 2010, only two have had extensions of the loan closing date by more than 1 year (Figure A9.3).



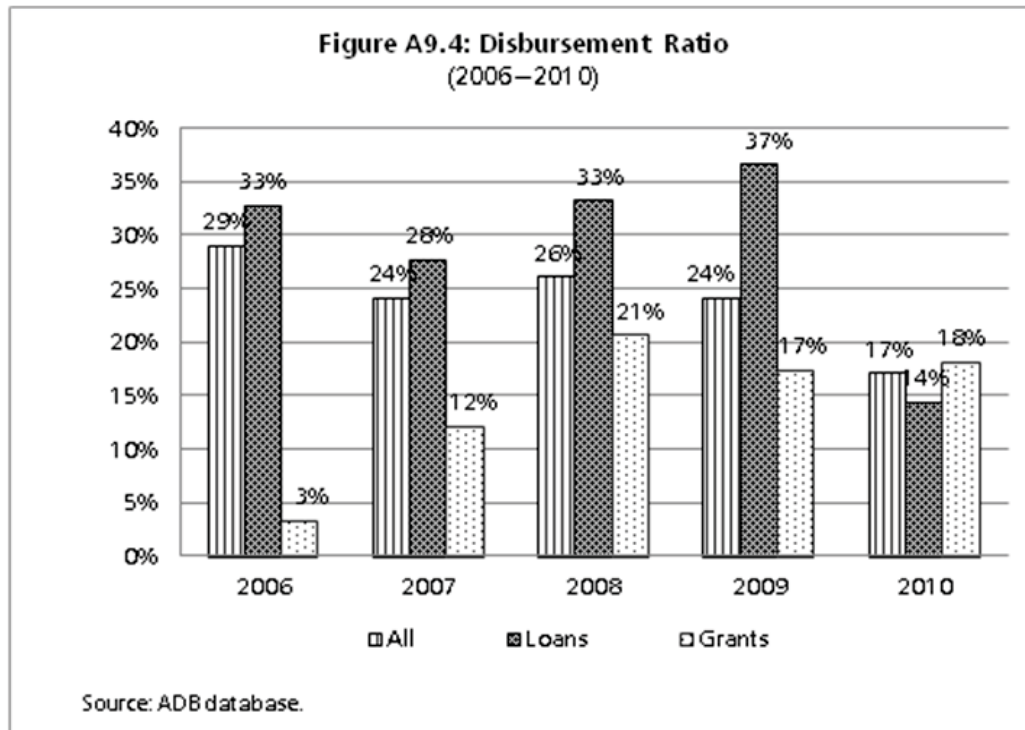
8. The overall risk ratio of the loan portfolio has worsened in recent years from 11.3% in 2007 to 13.7% in 2008, 6.5% in 2009, and 7.6% in 2010. This was still better, however, than ADB’s average of 10% in 2010. The worsening of the risk ratio can be attributed primarily to a reduction in the average size of the projects in the loan portfolio, with several of the smaller loan projects registering contracting and disbursement delays. Between 2009 and 2010, the size of the loan portfolio fell from \$178 million for seven projects to \$142 million for six projects in 2010.

**C. Contract Awards, Disbursements, Audited Accounts, and Net Transfers**

9. The contract award ratio for loans slightly declined from 23.9% in both 2008 and 2009 to 19.2% in 2010, which is still much lower than the ADB-wide average of 28.4% in 2010, but has been broadly in line with annual projections. Contract awards have been considerably worse for grant-funded projects, with these reaching just 69% of 2010 projections. Contract award performance for grant-funded projects has been the poorest for the following projects: the Second Education, the Tax Administration Reform, the Community-Based Infrastructure Services, the Central Asia Regional Economic Cooperation (CAREC) Transport Corridor 1, and the Investment Climate Improvement System Support. Factors contributing to poor contract-award performance included the political instability and security concerns in 2009–2010, slow progress in realizing agreed-upon policy reforms, and weak capacity in managing procurement and identifying qualified contractors.

10. The disbursement ratio for loans over recent years was steadily improving from 27.6% in 2007 to 33.1% in 2008 and to 36.6% in 2009, which was consistently higher than the ADB-wide average. This reflects the effects of an aging portfolio. In 2010, the disbursement ratio for loans significantly declined to 14.6%, much lower than the ADB-wide average of 24.2%, as the result of the closure of a number of loan-funded projects. Conversely, the disbursement performance of grant-funded projects

has been well under 20%, and far below ADB-wide averages. Again, this reflects the effects of a relatively young, grant-funded portfolio, with start-up and contract award delays (Figure A9.4). The year 2010 was an especially difficult year for loan and grant disbursements. The political crisis had a major impact on disbursements, because works were stopped for about 3 months. Construction prices also escalated sharply because of the closure of the borders with Kazakhstan and Uzbekistan and because of interrupted operations in the domestic cement factory. The June 2010 conflict also contributed to deterioration in security in the southern parts of the country, which further slowed down implementation of ADB operations.



11. Audited project accounts were submitted on schedule in 2008, 2009 and 2010. A small number were submitted with delays ranging from 2 to 5 months. One of the main reasons for delays in audit report submission was the limited capacity for undertaking external audits. Only two local audit firms and two international firms (with local representatives) have been interested in participating in project tenders for external audits of ADB-financed projects.

12. In recent years, net resource transfers<sup>1</sup> from ADB to the country have steadily declined. This is of concern, because ADB's ability to contribute to poverty reduction will be, in part, a function of the financial contribution that it makes to the country. The net inflow of resources to the country has fluctuated for several reasons, including (i) a decrease in the role of program loans in the portfolio vis-à-vis project loans and grants; (ii) a switch to grant assistance since 2005; and (iii) a sharp increase in service fees, which hit a record-high in 2010. As disbursements were disrupted by conflict-related factors in 2010, net resource transfers turned negative for the first time (Table A9.1).

<sup>1</sup> A net resource transfer from ADB to a borrowing country is the difference between the amount disbursed by ADB and the loan service payments and prepayments made to ADB by the country.

**Table A9.1: Disbursements and Net Resource Transfers (2001–2010)**  
(in \$ million)

Fiscal year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Disbursements	58.3	27.2	25.7	54.4	30.3	42.8	29.8	27.1	24.0	7.8
Service Fee	2.5	3.0	3.5	4.1	5.3	7.1	8.5	15.9	18.3	22.7
Net Resource Transfers	55.8	24.2	22.2	50.4	25.1	35.8	21.3	11.2	5.7	14.8

Source: Controller's Department.

13. Technical assistance operations have suffered from implementation delays, but start-up has been considerably improved in recent years. The average time from approval to signing of TA agreement has improved from an average of 1.6 months in 2007 to 0.9 month in 2010, which is much better than the ADB average of about 3 months. As against the ADB norm of 6 months, the time taken to field consultants after TA signing averaged about 3 months in 2009 and 2010. The average age of the active TA portfolio increased from 15.7 months in 2009 to 28.6 months in 2010. The vast majority of TA operations have had extension of completion dates due to underestimation of the time required to complete tasks and changes in counterpart officials and institutional arrangements during TA implementation.

14. Overall, based on the above assessment, ADB portfolio implementation is considered *satisfactory*, although the performance has been hampered by start-up delays, underachievement in contract awards and disbursements, a high proportion of loan extensions, and considerable year-to-year variation in the numbers of at risk projects.

#### **D. Factors Affecting Portfolio Implementation**

15. A number of factors have affected portfolio implementation over time. Strong government ownership of the reform agenda, and ADB's willingness to provide large sums in the form of quick-disbursing program loans contributed to strong portfolio implementation, particularly from mid-1990 to 2002. The country's debt crisis contributed to a sharp slowdown in new borrowing, and ultimately triggered a shift from concessional loan to grant assistance after 2005. This had the effect of reducing loan size and diminishing net transfers and was also associated with a shift from quick-disbursing programs to investment projects. A number of systemic factors identified below have also weakened portfolio implementation:

- (i) **Lack of clear sector strategies with well-defined sector development indicators.** This leads to difficulties in tracking project impacts and relating project outcomes to desired sector results.
- (ii) **Frequent staff turnover in executing and implementing agencies.** This has the effect of reducing the capacity of the government to implement projects in accordance with ADB guidelines.
- (iii) **Difficulties in land acquisition and resettlement.** Differences between national standards and ADB requirements have adversely affected implementation of major infrastructure projects.
- (iv) **Lack of progress in implementing agreed-upon policy actions, particularly with respect to provision of sufficient recurrent expenditures to maintain sector assets and services.** Insufficient recurrent financing, in turn, weakens the sustainability of investments financed with ADB support.

16. The events of 2010 have also had a major impact on portfolio implementation, because public works were stopped for several months, imported inputs were difficult to obtain, and work was hampered in the conflict zones in the south.

## E. Key Findings, Lessons, and Recommendations

17. Despite a challenging development setting, the performance of the portfolio has been relatively good. Start-up delays have been aggressively reduced over the past 5 years. The portfolio continues to suffer, however, from chronic extensions; contracting and disbursement delays; and net transfers, which turned negative in 2010. Frequent turnover of project staff, and unforeseen changes in institutional arrangements have adversely impacted on project implementation, as has insufficient financing for recurrent costs. Project effectiveness and sustainability have been a concern in a number of projects, although the vast majority of loans and TA operations have been assessed to be satisfactory or better at completion. The knowledge of how project outcomes contribute to sector performance is limited, however, in part due to weaknesses in sector planning and strategy formulation. Key lessons are as follows:

- (i) Results-based portfolio management requires clear government sector strategies that have well-defined results, targets, and indicators.
- (ii) The design and approval of projects that are “ready” to be implemented can have an important influence on portfolio implementation.
- (iii) The stability of institutional arrangements, including project personnel, is an important determinant of the degree to which project procedures can be adhered to.
- (iv) A volatile political and security situation will inevitably influence portfolio implementation. A quick and flexible portfolio management response is needed to sudden changes in the country context.

## APPENDIX 10. SUMMARY OF ASSESSMENT BY SECTOR AND OVERALL (1994–2010)

Table A10.1: Summary of Assessment by Sector and Overall

Criteria	Criteria Weights	Transport	Finance/PSD	PSM	ANR	Education	Health	All Sectors Combined
Strategic Positioning	10%	satisfactory	satisfactory	satisfactory	less than satisfactory	satisfactory	satisfactory	satisfactory
Program Relevance	10%	relevant	relevant	relevant	relevant	relevant	relevant	relevant
Efficiency	20%	efficient	efficient	less than efficient	efficient	efficient	efficient	efficient
Effectiveness	20%	effective	effective	effective	effective	effective	effective	effective
Sustainability	20%	less than likely	Likely	less than likely	less than likely	likely	likely	less than likely
Development Impacts	20%	satisfactory	satisfactory	less than satisfactory	satisfactory	satisfactory	satisfactory	satisfactory
<b>All Criteria Combined</b>	<b>100%</b>	<b>successful</b>	<b>successful</b>	<b>less than successful</b>	<b>successful</b>	<b>successful</b>	<b>successful</b>	<b>successful</b>

ANR = agriculture and natural resources, CAPE = country assistance program evaluation, PSD = private sector development, PSM = public sector management.

Note: As of 1 May 2012, the Independent Evaluation Department changed the previous rating category of *partly successful* to *less than successful* to clarify that such a category indicates “below the line” performance. In this report, all prior ratings preceded by the word “partly” have been converted to the new designation of “less than.”

Source: 2012 Country Assistance Program Evaluation findings.

Table A10.2: Ratings by Sector and Overall

Criteria	Criteria Weights	Transport	Finance/PSD	PSM	ANR	Education	Health	WASs of All Sectors Combined
Strategic Positioning	10%	2	2	2	1	2	2	1.9
Program Relevance	10%	2	2	2	2	2	2	2.0
Efficiency	20%	2	2	1	2	2	2	1.9
Effectiveness	20%	2	2	2	2	2	2	2.0
Sustainability	20%	1	2	1	1	2	2	1.3
Development Impacts	20%	2	2	1	2	2	2	1.9
<b>All Criteria Combined</b>	<b>100%</b>	<b>1.8</b>	<b>2.0</b>	<b>1.4</b>	<b>1.7</b>	<b>2.0</b>	<b>2.0</b>	<b>1.8</b>

ADB = Asian Development Bank, ADTA = advisory technical assistance, ANR = agriculture and natural resources, CAPE = country assistance program evaluation, dev. = development, HS = highly successful, IED = Independent Evaluation Department, LS = less than successful, PSD = private sector development, PSM = public sector management, S = successful, US = unsuccessful, WAS = weighted average score (weighted by sector shares).

Note: Criteria weights follow those suggested in IED’s *Revised CAPE Guidelines*, whereas sector weights are actual amounts of loans, grants, and ADTA combined in terms of % of sector shares of the six sectors included the overall rating. The scores of 3, 2, 1, and 0 are equivalent to the ratings of HS, S, LS, and US, respectively, assigned to each criterion under each sector. The overall rating of each sector and of all sectors combined (in the last row of each column) is the summation of the ratings under the six criteria in each sector (in each column) and in all sectors combined (in the last column) weighted by the corresponding criteria weights. The overall rating of all sectors combined (in the last cell of the last column) determines the overall performance of ADB support based on the following rating scales (consistent with the rating scales at the project level):

- 2.7 = < HS <= 3.0 (or HS = 2.7–3.0);
- 1.6 = < S < 2.7 (or S = 1.6–2.6);
- 0.8 = < LS < 1.6 (or LS = 0.8–1.5); and
- 0.0 = < US < 0.8 (or US = 0.0–0.7).

Sources: IED. 2010. *Revised CAPE Guidelines*. Manila: ADB; and 2012 Country Assistance Program Evaluation findings.