Document of
The World Bank

Report No: ICR2454

IMPLEMENTATION COMPLETION AND RESULTS REPORT
(IDA-50090 IDA-H7300)

ON A

CREDIT

IN THE AMOUNT OF SDR 10.40 MILLION
(US$16.50 MILLION EQUIVALENT)

AND A

GRANT

IN THE AMOUNT OF SDR 8.50 MILLION
(US$13.50 MILLION EQUIVALENT)

TO THE KYRGYZ REPUBLIC

FOR AN

ECONOMIC RECOVERY SUPPORT OPERATION

February 15, 2013

Poverty Reduction and Economic Management
South Caucasus and Central Asia Unit
Europe and Central Asia Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective as of February 15, 2013)

Currency Unit = Kyrgyz Som (KGS)
KGS 1.00 = US$ 0.02093
US$ 1.00 = KGS 47.77

FISCAL YEAR
January 1 — December 31

ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank
AUB	Asia Universal Bank
CIS	Commonwealth of Independent States
CAS	Country Assistance Strategy
CSO	Civil Society Organization
DF	Development Fund
DPA	Deposit Protection Agency
DPO	Development Policy Operation
ECF	Extended Credit Facility
EITI	Extractive Industries Transparency Initiative
ESTI	Energy Sector Transparency Initiative
ECA	Europe and Central Asia
ERSO	Economic Recovery Support Operation
EU	European Union
GDP	Gross Domestic Product
GMI	Guaranteed Minimum Income
GNI	Gross National Income
ICR	Implementation Completion and Results Report
IDA	International Development Association
IFC	International Finance Corporation
IMF	International Monetary Fund
ISN	Interim Strategy Note
JEA	Joint Economic Assessment
KEITI	Kyrgyzstan Extractive Industries Initiative
MDTF	Multi-Donor Trust Fund
MOE	Ministry of Energy
MOF	Ministry of Finance
NBKR	National Bank of Kyrgyz Republic
OECD	Organization for Economic Cooperation and Development
PER	Public Expenditure Review
PIM	Public Investment Management
SC	Supervisory Council
SDR	Special Drawing Rights
SOE	State Owned Enterprise
VAT	Value Added Tax
WTO	World Trade Organization

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KYRGYZ REPUBLIC

ECONOMIC RECOVERY SUPPORT OPERATION

CONTENTS

Tables:

Annexes:

KYRGYZ REPUBLIC

ECONOMIC RECOVERY SUPPORT OPERATION

A. Basic Information			
Country:	Kyrgyz Republic	Program Name:	Economic Recovery Support Operation
Program ID:	P125425	L/C/TF Number(s):	IDA-50090, IDA-H7300
ICR Date:	02/15/2013	ICR Type:	Core ICR
Lending Instrument:	DPL	Borrower:	KYRGYZ REPUBLIC
Original Total Commitment:	XDR 18.90M	Disbursed Amount:	XDR 18.90M
Revised Amount:	Not Applicable		
Implementing Agencies: Ministry of Finance			
Cofinanciers and Other External Partners: Not Applicable			

B. Key Dates				
Process	**Date**	**Process**	**Original Date**	**Revised / Actual Date(s)**
Concept Review:	01/25/2011	Effectiveness:	11/23/2011	11/23/2011
Appraisal:	06/06/2011	Restructuring(s):	Not Applicable	Not Applicable
Approval:	08/02/2011	Mid-term Review:	Not Applicable	Not Applicable
		Closing:	06/30/2012	06/30/2012

C. Ratings Summary	
C.1 Performance Rating by ICR	
Outcomes:	Satisfactory
Risk to Development Outcome:	Substantial
Bank Performance:	Satisfactory
Borrower Performance:	Satisfactory

C.2 Detailed Ratings of Bank and Borrower Performance (by ICR)			
Bank	**Ratings**	**Borrower**	**Ratings**
Quality at Entry:	Satisfactory	Government:	Not Applicable
Quality of Supervision:	Satisfactory	Implementing Agency/Agencies:	Not Applicable
Overall Bank Performance:	Satisfactory	**Overall Borrower Performance:**	Satisfactory

C.3 Quality at Entry and Implementation Performance Indicators			
Implementation Performance	**Indicators**	**QAG Assessments (if any)**	**Rating:**
Potential Problem Program at any time (Yes/No):	No	Quality at Entry (QEA):	None
Problem Program at any time (Yes/No):	No	Quality of Supervision (QSA):	None
DO rating before Closing/Inactive status:	Satisfactory		

D. Sector and Theme Codes

	Original	Actual
Sector Code (as % of total Bank financing)		
General energy sector	20	20
General finance sector	15	15
General public administration sector	25	25
Other social services	25	25
Public administration- Information and communications	15	15
Theme Code (as % of total Bank financing)		
Infrastructure services for private sector development	10	10
Macroeconomic management	15	15
Other accountability/anti-corruption	25	25
Other public sector governance	25	25
Social safety nets	25	25

E. Bank Staff

Positions	At ICR	At Approval
Vice President:	Philippe H. Le Houérou	Philippe H. Le Houérou
Country Director:	Saroj Kumar Jha	Motoo Konishi
Sector Manager:	Ivailo V. Izvorski	Kazi M. Matin
Program Team Leader:	Afsaneh Sedghi	Afsaneh Sedghi
ICR Team Leader:	Helen Edmundson	
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F. Results Framework Analysis

Program Development Objectives (from Program Document)

The Economic Recovery Support Operation (ERSO) supports policy actions implemented between April 2010 and June 2011 aimed at stabilizing the economy, strengthening governance and safeguarding social protection. These areas are rooted in the government's near-term priorities and medium-term vision, and are critical for improving private sector confidence and reviving the economy. The PDOs include (i) strengthened governance in the management of public assets and revenues through maintaining Ministry of Finance's control over all capital spending by abolishing the off-budget development fund and asserting stronger budget control, enhancing transparency in the privatization process, establishing proper accounting, improving operational performance in the energy sector, and maintaining financial sector stability; and (ii) safeguarding social spending by ensuring essential social protection spending, and re-establishing livelihoods and providing social compensation for the conflict-affected population and businesses.

Revised Program Development Objectives (if any, as approved by original approving authority)

Not Applicable

(a) PDO Indicator(s)

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Comprehensive data available to fully assess the fiscal stance over the medium-term.	MOF exercises no budgetary control over capital spending.	Budget submitted to parliament on a fully consolidated basis.	N/A	Consolidated 2011 and 2012 budgets submitted to parliament.
Transparent rules-based privatization.	Privatization process lacks transparency.	Privatizations implemented in line with best practice.	N/A	Privatization improved and a medium term program submitted to parliament (April 2012).
Continued publication of EITI reports.	25 companies provide EITI reports that are subject to independent reconciliation.	46 companies provide EITI reports that are subject to independent reconciliation.	N/A	57 companies provided EITI reports that are subject to independent reconciliation in 2012.
Degree of transparent participatory process in strategic decision making in the energy sector.	Decisions in the energy sector are made in a non-transparent and non-inclusive manner.	All strategic decisions in the sector incorporate public feedback through a Supervisory Council and in other forms.	N/A	Supervisory council set up with participation from civil society, power companies and the government. Strategic decisions are made with input from this Council.
Escrow accounts created at power plants and national grid companies.	Power export proceeds are not used transparently and no rules exist for managing these proceeds.	Power export proceeds accounted for and use of escrow balances reported quarterly.	N/A	Power export proceeds are accounted for and used transparently. Escrow account balances and use of funds reported on a quarterly basis.
Tools to monitor energy sector performance and improve performance accountability.	No regulatory/ accountability tool is currently in use by the regulator.	Performance Agreements between the state regulator and the energy companies have been developed and signed.	N/A	Performance agreements between the regulator and all six energy companies are in place.
Losses (percentage of	29.30	26.00	N/A	Loss reduction better than targeted,

kWh delivered to the domestic market).				reaching 24.30 percent in mid-November 2011.
Collection rate per kWh billed.	0.81	0.94	N/A	Target rate of 0.94 reached by mid-November 2011
Transparent revenue sharing mechanism.	No mechanism in place for revenue sharing among generation, transmission, and distribution sub-sectors.	A revenue sharing regulation has been developed and adopted by the Ministry of Energy (MOE) with transparent criteria.	N/A	MOE revenue sharing rules with transparent criteria adopted.
AUB resolution	Major bank declared insolvent after April 2010 events.	Zalkar (restructured 'good' bank) audited & privatized to strong investor.	N/A	Several failed attempts to privatize Zalkar at auction.
Bank's adherence to prudential norms, including capital, and NBKR's supervisory response.	NBKR's supervisory response mechanism in-adequate to ensure timely response to banks' fragility.	NBKR able to supervise banking system, address vulnerabilities promptly, and resolve troubled banks efficiently.	N/A	NBKR's ability to supervise the banking system, address vulnerabilities promptly, and resolve troubled banks efficiently has improved.
Capacity of DPA to conduct a payout in case of bank liquidation.	Independent DPA legal status unclear, blocking necessary legal and institutional reforms.	DPA's legal status will be clear, paving the way for reforms to strengthen the deposit protection system.	N/A	Deposit Protection Agency (DPA) reconstituted as an independent legal entity.
Average monthly benefit for poor families with children per household.	Monthly benefit of less than KGS 100 based on GMI of KGS 240 per capita monthly.	Monthly benefit of KGS 200 based on GMI of KGS 370 per capita monthly.	N/A	Monthly benefit of KGS 220 based on GMI increased to KGS 410 per capita.
No. of rights-based categories of benefits.	39 rights based "privileged" categories of the population.	25 rights based "privileged" categories of the population.	N/A	Number of rights-based categorical benefits reduced to 25.
Payment of social allowances to help conflict-affected families.	No social allowances paid to conflict-affected families.	Conflict affected families granted benefits to cope with the consequences of the conflict.	N/A	Support provided to conflict–affected families.

(b) Intermediate Outcome Indicator(s)

Not Applicable

G. Ratings of Program Performance in ISRs

No.	Date ISR Archived	DO	IP	Actual Disbursements (USD millions)
1	12/13/2011	Satisfactory	Satisfactory	29.49

H. Restructuring (if any)

Not Applicable

1. Program Context, Development Objectives and Design

1.1 Context at Appraisal

Before the 2010 Political and Economic Crisis

1. **During the early and mid-2000s, the Kyrgyz Republic continued market-based reforms and achieved relative macroeconomic stability.** These efforts built upon on structural reforms the authorities began in the 1990s, following independence from the Soviet Union in 1991.[1] These reforms, along with prudent monetary policy helped keep inflation in check. After declining sharply in the 1990s, annual average GDP growth rebounded to 5.7 percent during 2003-2008. The structure of the economy evolved with the transition from a planned to a market-oriented economy, with the share of services rising from the low twenties to half of output by 2012. The share of agriculture declined from almost 40 percent of GDP at the start of transition to about 20 percent in 2011. A surge in gold mining has helped keep the share of industry at about 30 percent despite a decline in manufacturing.[2]

2. **During the global economic and financial crisis, growth slowed from 7.6 percent in 2008 to 2.9 percent in 2009.** Faced with a decline in foreign direct investment (FDI), external demand and workers' remittances, the authorities implemented a large fiscal stimulus and appropriately loosened monetary policy. In addition to a reduction in the valued-added tax (VAT) rate from 20 percent to 12 percent in 2009, public spending rose sharply from 29 percent of GDP in 2008 to 36 percent in 2009, driven primarily by larger expenditures on pensions and public sector wages. Consequently, the budget shifted from a small surplus in 2008 to a deficit equivalent to 3.5 percent of GDP in 2009.

3. **Strong economic growth and rapidly increasing remittances contributed to poverty reduction in the mid-2000s.** Overall poverty fell from 40 percent in 2006 to 32 percent in 2009, and extreme poverty from 9 percent to 3 percent during the same period.[3] Although rural poverty remains much higher than urban poverty—37 percent compared to 22 percent in 2009—the rate of decline in rural poverty was faster and now equals that in urban areas. With a GNI per capita of $880 in 2010, the Kyrgyz Republic remains one of the two poorest countries in Europe and Central Asia.

4. **Despite macroeconomic stability through much of the 2000s, there was little progress with structural reforms involving transparency and good governance.** While reforms to foster openness met with some success, good governance and

[1] For example, the Kyrgyz Republic was the first country from the Commonwealth of Independent States (CIS) to join the WTO in 1998.
[2] World Bank estimates.
[3] Kyrgyzstan's poverty line, defined by the National Statistics Committee, is based on a basic needs approach that estimates the costs of a consumption basket, excluding rent.

protection of civic rights were less successful. The World Economic Forum Global Competitiveness Index consistently highlights corruption and weak governance as key factors limiting investment. The country is also ranked near the bottom of Transparency International's Corruption Perception Index. During the three years prior to April 2010, the President put in place measures to concentrate power within his own administrative apparatus. This removal of checks and balances further weakened transparency and accountability and increased the public's mistrust of government.

2010 Political and Economic Crisis

5. **In April 2010, anti-government demonstrations culminated in the removal of the president and the formation of a provisional administration**. These demonstrations were fuelled by several factors, including the above-mentioned centralization of power within the presidency, a lack of voice in economic decision-making, corruption, nepotism, and the misuse of public assets, especially in energy and telecommunications. These events left a power vacuum in the south of the country and, in June 2010, rising political and social tensions exploded into three days of social unrest, especially in Jalalabad and Osh. According to official data, the fighting resulted in more than 300 deaths, 2,500 injured individuals, large numbers of internally displaced persons, and extensive destruction of public infrastructure and private property. A Joint Economic Assessment (JEA) by the Bank and other development partners estimated the cost of infrastructure damage at about $350 million, or over 7 percent of GDP.[4]

6. **The provisional administration drafted a new constitution that shifted the balance of executive power from the presidency to the prime minister, chosen by and responsible to the legislature**. Under the new constitution, parliamentary elections were held in October 2010. A four-party coalition, committed to macroeconomic stability and continued market-oriented reforms, took office in December 2010. Subsequently, a presidential election took place in October 2011 with the new president sworn in on December 1, 2011. In August 2012, the coalition collapsed but was promptly replaced in early September by a new three-party coalition. The new government has confirmed its commitment to the policy reforms initiated by the previous government.

7. **The Kyrgyz Republic's fragile and potentially volatile political environment impacts the effective functioning of both the public and private sectors.** Poor financial management continues to limit both the efficiency and impact of public spending. Weak governance and nepotism undermine the credibility of institutional reforms designed to promote open, competitive recruitment and merit-based career development in the civil service.[5] Furthermore, corruption deters private sector

[4] *Joint Economic Assessment: Reconciliation, Recovery and Reconstruction*, July 21 2010.

[5] See for example the OECD's corruption monitoring report, September 2012, which notes that one of the most common violations of anti-corruption legislation is "on public service", specifically recruitment of staff.

involvement in the formal economy, evidenced by the scope and size of the shadow economy, currently estimated as high as 40-60% of GDP.[6]

Economic, Social, and Poverty Impact

8. **The political turmoil and ethnic conflict inflicted a huge shock on the economy, resulting in recession**. Economic activity was disrupted, particularly in the south; the financial sector became severely stressed; and services and trade were badly affected by a lack of security and the closure of the country's borders with Kazakhstan and Uzbekistan. Consequently, the economy contracted by 0.5 percent in 2010. The current account moved from a surplus of 0.7 percent of GDP in 2009 to a deficit of 6.4 percent in 2010, as exports shrank and remittances declined.

9. **To mitigate the impact of the crisis and to ease social and ethnic tensions, the authorities boosted government spending.** However, due to absorptive capacity constraints, crisis-related spending in the south was only 1.7 percent of GDP rather than the 4.5 percent originally projected.[7] Unrelated to the crisis, social fund expenditures rose by about 2.4 percent of GDP as a result of pension increases previously enacted to offset the rise in utility tariffs. Although the budget deficit increased from 3.5 percent of GDP in 2009 to 6.3 percent in 2010, it was just over half the 12 percent projected in the 2010 post-crisis JEA. This was due to higher than expected revenues and output, and lower than planned capital spending.

10. **Prompt action by the National Bank of the Kyrgyz Republic (NBKR), the central bank, to address the failure of the country's largest bank, helped prevent contagion.** Seven banks faced serious problems and were placed under central bank administration. The country's largest and systemically most important bank, Asia Universal Bank (AUB), was nationalized, declared bankrupt, and subsequently split into a good bank (Zalkar) and a bad bank (AUB), with the former to be privatized and the latter liquidated. Following these interventions, the banking system stabilized, though non-performing loans had almost doubled to 15.8 percent by end-2010. Although banks stopped lending in the south, overall credit to the private sector at KGS 26 billion or about 13 percent of GDP was broadly unchanged.

11. **These fiscal and financial sector measures helped sustain economic activity and promote employment.** Outlays on repairs and rehabilitation of essential infrastructure and the economy's capital stock strengthened the supply base and, in particular, improved the reliability of energy supply, vital to growth and social stability. Increased public spending on reconstruction in the south helped restore disrupted livelihoods. Financial sector reforms helped boost confidence in the banking system, enabling enterprises to borrow.

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[6] Estimates from the Kyrgyz authorities.

[7] Relatively well-targeted non-categorical social benefits have remained steady at around 0.7 percent of GDP, which is low and also has low coverage.

12. **Nonetheless, the political and economic crisis had a serious impact on society.** The conflict in the south created tensions that left a residue of bewilderment and fear. While refugees and the internally displaced returned home, efforts were still needed to complete the repair and reconstruction of housing, resume the delivery of social services, and restore livelihoods.

13. **After years of steady decline, poverty increased to 34 percent in 2010 and 37 percent in 2011.** The closure of the borders with Kazakhstan and Uzbekistan, along with other restrictions, affected cross-border trade and thus the livelihoods of poor communities living in these areas. Farming was disrupted by the delayed supply of traded inputs and the lack of credit in the south. Two labor-intensive industries, construction and tourism, bore the brunt of the disruption and violence: by mid-2010, tourism in the important but poor region of Issyk-Kul had virtually dried up, with major income and jobs losses. On the other hand, the reversal of energy price rises in April 2010 and the retention of increases in public sector wages, pensions, social allowances, and targeted cash transfers enacted earlier in 2010, helped mitigate some of these effects, especially for the urban poor. The impact on the rural poor was more muted.

1.2 Original Program Development Objectives (PDO) and Key Indicators (as approved)

14. **The Economic Recovery Support Operation (ERSO) supported the Kyrgyz Republic's post-conflict recovery and transition to medium-term growth and poverty reduction.** Having met the immediate challenges of reconstruction and the restoration of security, the authorities addressed post-conflict recovery, growth, and poverty alleviation by combining limited fiscal expansion with reforms designed to strengthen governance and safeguard social protection. Supporting the budget and the implementation of reforms undertaken or underway during April 2010-June 2011, the operation was aimed at providing a bridge to new policy measures under the government's planned *Medium-Term Development Program* for 2012-14.

15. **The program's key development objectives were organized under two themes.** The first was to strengthen governance in the management of public assets and resources, including specific steps towards greater transparency and public accountability—key failures of the previous government. The second was to safeguard social protection and provide temporary social assistance to the conflict-affected population.

16. **The program's effectiveness and impact were measured by five high level outcomes.** These were: (a) Ministry of Finance (MOF) control over all capital spending; (b) energy sector finances managed more transparently; (c) financial sector stability maintained by ensuring that the central bank is better equipped to monitor banks and address vulnerabilities quickly; (d) social protection spending is safeguarded; and (e) targeted support provided to the poor and conflict-affected population. In addition, the policy matrix included 15 specific indicators by which expected outcomes were to be measured.

1.3 Revised PDO and Key Indicators, and Reasons/Justification

17. The ERSO was a single-tranche operation and, as such, neither the program's development objectives nor its key outcome indicators were revised.

1.4 Original Policy Areas Supported by the Program (as approved)

Theme 1: Strengthened Governance in Management of Public Assets and Revenues

Budget Control and Transparency

18. **The ERSO supported the government's central objective of imposing discipline on the management and use of public assets and revenues.** This was to be achieved by: completing liquidation of the extra-budgetary Development Fund decreed by the interim government on April 30, 2010; developing improved asset management norms and practices in the State Property Management Fund (responsible for privatization and management of state assets);[8] and continued implementation of the country's commitments under the Extractive Industries Transparency Initiative (EITI).

Energy Sector Transparency and Accounting

19. **The ERSO supported implementation of the Energy Sector Transparency Initiative (ESTI), adopted in July 2010.** This included: establishment of a Supervisory Council in the Ministry of Energy, including adoption of internal regulations for its governance; creation of transparent, rules-based mechanisms for managing and monitoring financial flows, especially electricity export proceeds in escrow accounts; and enactment of performance agreements between the Energy Regulatory Authority and energy companies.

Financial Sector Stability

20. **The ERSO supported NBKR's restructuring of the financially-distressed, Asia Universal Bank (AUB) into a new entity, Zalkar Bank**. It also provided for the introduction of direct supervision and temporary administration procedures for rehabilitation of financially distressed banks, the development of supervisory response mechanisms to identify and initiate prompt preventive and corrective action, and the restructuring of the Deposit Protection Agency (DPA) as an independent legal entity.

Theme 2: Safeguarding Social Protection & Supporting Conflict-affected Population

Safeguarding Social Protection

21. The ERSO supported the government's objective of maintaining the value in real terms of unified monthly benefits for low income families with children, by increasing

[8] The State Property Management Fund was formally the Ministry of State Property.

the guaranteed minimum income (GMI), and by monetizing in-kind social benefits as direct cash payments. In addition, the number of rights-based categories was reduced from 39 to 25.

Supporting Conflict-affected Population

22. The ERSO supported implementation of the government's decision to introduce additional monthly social benefits for families affected by the national crisis of 2010.

1.5 Revised Policy Areas

23. The policy areas were not revised.

1.6 Other Significant Changes

24. There were no significant changes in design, scope and scale, implementation arrangements, or funding.

2. Key Factors Affecting Implementation and Outcomes

2.1 Program Performance

25. Table 1 below presents the eleven policy actions that the authorities took between April 2010 and end May 2011, before the ERSO was submitted to and approved by Executive Directors, and describes their status.

Table 1: ERSO Policy Actions and Status

Policy Actions	**Status**	**Description**
I. Strengthened governance in management of public assets and revenues		
Liquidate and perform an external audit of the Development Fund.	Met	The Development Fund was placed under liquidation pursuant to Interim Government Ordinance Number 31, April 30, 2010. An external audit has been completed and published.
Enact resolutions to establish improved asset management norms and practices for the Ministry of State Property.	Met	The following resolutions were passed: (i) resolution number 178, August 27, 2010, (ii) resolution number 309, December 8 2010, (iii) resolution number 104, March 14 2011.
Achieve compliance with Extractive Industries Transparency Initiative's (EITI) global standards for improved transparency in oil, gas and mining.	Met	Kyrgyz Republic declared fully compliant at EITI's March 2011 international conference.
Adopt Energy Sector Transparency Initiative (ESTI), including: (a) establish Ministry of Energy Supervisory Council to supervise ESTI implementation; (b) adopt internal regulations for its governance; (c) establish transparent, rules-based mechanisms for managing and monitoring financial flows, particularly electricity export proceeds in escrow accounts.	Met	Issuance of Presidential decree number 49: "Energy Sector Transparency Initiative (ESTI)", July 2010. Supervisory councils set up with participation from civil society, power companies and the government. Escrow accounts established for the management of funds.

Sign and implement performance agreements between the Energy Regulatory Authority and energy companies, including indicators for system losses and revenue collection.	Met	Annual performance agreements are in place. Decree 99, May 2011, stipulates the allocation of funds through OJSC "SSC-Bank".
National Bank of Kyrgyz Republic (NBKR) to restructure Asia Universal Bank (AUB) into a new entity, Zalkar Bank, and to introduce direct supervision and temporary administration procedures for the rehabilitation of financially distressed banks.	Met	Two banks have been formed - AUB and Zalkar. Several attempts have been made to privatize Zalkar Bank via auction. AUB is to be liquidated.
NBKR to improve supervisory response mechanisms to identify shortcomings in, and initiate prompt preventive and corrective action to financially distressed banks.	Met	Directive 349 issued.
Reconstitute Deposit Protection Agency (DPA) as independent legal entity.	Met	Independence of the DPA formalized under resolution 269, May 31, 2011.
II. Safeguarding social protection supporting conflict-affected population		
Increase guaranteed minimum income by 10% during mid-2010-11 period and by 19% from mid-2011 onwards in order to maintain value of Unified Monthly Benefit in real terms.	Met	Increases put in place following resolutions No. 121 and 132
Monetized in-kind social benefits as direct cash payments, with number of rights-based categories reduced from 39 to 25.	Met	
Introduced additional monthly social benefits for families affected by the 2010 national crisis.	Met	Provisions included in the interim government Decree, 124, August 24, 2010.

2.2 Major Factors Affecting Implementation

26. **One principal factor affecting preparation and initial implementation of the ERSO reform program was the country's fragile economic and political situation during the second half of 2010 and 2011.** The political turmoil and ethnic conflict of April-June 2010 inflicted a huge shock on the economy and society, resulting in recession. Second, the new government's overall capacity was low and its decision-making fragmented. Third, implementing the shift in the balance of power from the presidency to the prime minister under the new constitution and adjusting to the requirements of an emerging parliamentary democracy was and remains work in progress. Indeed, in August 2012, the four-party coalition broke down, and was replaced soon after with a new three-party coalition. These events underscore the fragile political environment in the country and the difficulty government faces in maintaining momentum for structural reforms. Moreover, the public's distrust in government remains high, suggesting reforms towards anti-corruption will need to stay firmly on the government's agenda.[9]

27. **Notwithstanding these uncertainties, both the government's commitment to, and ownership of, the program was high**. This is evidenced by the fact that the four most important governance-related policy actions—liquidation of the extra-budgetary Development Fund, enactment of improved privatization and state property management

[9] The International Republican Institute's (IRI) latest survey shows that corruption remains in the top three issues facing the country.

policies and processes, adoption of the Energy Sector Transparency Initiative (ESTI), and re-structuring of the country's largest bank—were well advanced early in the ERSO preparation process. Indeed, these four measures were essential components of the provisional government's immediate policy response to the excesses of the old régime on which its own initial credibility partly depended. The government's Letter of Development Policy recorded their commitment to these reforms and medium-term outcomes.

28. **The program's explicit alignment with government priorities facilitated both its design and implementation**. The ERSO agenda was aligned with the authorities' short-term economic and social stabilization priorities. It supported the government's emphasis on ensuring fiscal sustainability with reforms to strengthen governance and safeguard social protection. It also supported the central bank's management and resolution of the banking crisis. This coherence of program content and government strategy facilitated implementation. Most of the substantive policy measures had been completed before the ERSO's consideration by the Bank's Executive Directors in August 2011.

29. **Effective dialogue with the authorities immediately following the crisis also facilitated program design and implementation**. Despite the Bank's relations with the previous government, which in light of the events of April 2010 could have affected its standing with the new administration, its dialogue and leadership ensured credibility was maintained. The new government confirmed this by stating that it saw the Bank as playing a key role as adviser and financier of the country's post-conflict recovery, as well as its long-term investment needs. Together with the Asian Development Bank (ADB) and the International Monetary Fund (IMF), the Bank's leadership also helped coordinate the international response to the economic and humanitarian crisis. All three institutions were integral in the preparation of the JEA, and in convening the July 2010 multi-development partner conference, where $1.1 billion was pledged (including funding for the balance of the 2010 budget). Finally, the concurrent preparation, processing, and presentation of the FY12-13 Interim Strategy Note (ISN) intensified and reinforced the quality of the dialogue and, indirectly, the program's design and implementation.

2.3 Expected Next Phase/Follow-up Operation:

30. **While the ERSO was designed and justified as a single tranche operation, the program document presaged, though did not commit to, a follow-up series of programmatic development policy operations (DPOs)**. This would be subject, inter alia, to the authorities' continued commitment to governance-related structural reforms and to maintenance of satisfactory fiscal and macroeconomic policies. This was deemed appropriate given the complexity, long-term nature, and political economy of the reforms being supported. It would also help ensure sustainability of the measures already in place and advance and reinforce the reform process further. A DPO series supporting governance reforms initiated in the ERSO and reforms targeted towards improving the business environment is currently under preparation.

3. Assessment of Outcomes

3.1 Relevance of Objectives, Design and Implementation

31. **The ERSO's objectives and design were highly relevant to the needs and priorities of the Kyrgyz government.** Together with funding for the 2011 budget committed by the ADB ($40.6 million), the IMF ($29.7 million), and the European Union (€12 million), the ERSO provided resources to ensure that essential spending, especially in the social sphere, was protected and to support economic stabilization in the medium-term. It was aligned with the government's strategy of countervailing the major stress factors that caused the 2010 crisis, while also building institutional capacity for strengthened governance and improved public resource management. Its policy framework provided support for short-term priorities, such as liquidating the Development Fund, restructuring the country's largest, systemically important bank, (AUB), and introducing social benefits for conflict-affected families. Policies requiring a longer-term perspective and timetable, such as public finance and financial sector reforms, as well as the broader governance and transparency agendas, were also included in the framework. The decision to proceed with a single tranche operation reflected a desire to offer timely support for the agreed priorities of a newly elected, not yet fully secure government. At the same time, a single tranche operation did not commit to a series of programmatic development policy operations in what was still an uncertain and high risk environment, and where there was not sufficient certainty on the government's medium-term policy orientation.

32. **The ERSO's focus on governance and social protection was aligned with the Bank's FY12-13 ISN.** Indeed, the two themes of the ERSO's policy framework are effectively the same as the ISN's pillars, namely: improved governance and social stability, and economic stabilization. Both the ERSO and the ISN represented the culmination of a very intensive 15-month effort by development partners, led by the Bank, to provide timely, well-coordinated support to the country at a defining moment. This support included the production of the JEA in less than three months; the organization of a multi-development partner conference; and, from the Bank itself, a $70 million *Emergency Recovery Project* and additional financing totaling $66 million for four ongoing investment projects.[10] Finally, the ERSO and related ISN employed an approach that drew upon the analysis and recommendations of the Bank's 2011 World Development Report on conflict and development—specifically a conflict analysis and 'filter' of destabilizing drivers, patterns, and trends, which was undertaken between mid-2011 and 2012. It was also consistent with the cross-cutting governance theme and social sector reform pillar of ECA's regional strategy for Europe and Central Asia.

[10] On-farm irrigation, disaster hazard risk mitigation, health and social protection, and national road rehabilitation.

3.2 Achievement of Program Development Objectives

33. **The Implementation Completion Report (ICR) rates the achievement of program development objectives—measured by its five key outcome indicators and related targets—as *successful*.** It should be noted that the four most important governance-related measures were well advanced, even substantially completed very early in the preparation process, making it difficult to make causal linkages between ERSO supported policy actions and outcomes. The *successful* rating takes into account two broader considerations. First, these reforms are still in place and several - especially those in the energy sector, and public finance management - are being advanced in the upcoming DPO series, as well as in ongoing lending and technical assistance activities. Second, the reforms are being undertaken in a still fragile institutional and political environment, characterized by a strong commitment to, but with limited practical experience of, representative government.

Recent Macroeconomic and Fiscal Trends

34. **The economy rebounded quickly in 2011, but a sharp drop in gold output has led to a 0.9 percent contraction in the economy in 2012**.[11] With physical security and political stability largely restored, the economy grew by 5.7 percent in 2011. Industry, especially gold mining and hydropower, was the main driver, with agriculture, services, and trade also contributing. By contrast, lower production at the Kumtor gold mine during most of 2012, and lower than expected growth in the agriculture sector, have brought down 2012 GDP growth. Conversely, other sectors in the economy performed better than expected, preventing end of year growth from dropping further. Looking ahead to the medium-term, growth is projected to average 5 percent annually, driven mainly by a rebound in gold mining but also by agriculture, hydropower, and textiles. This relatively favourable outlook also assumes the government's continued commitment to structural reforms, especially those related to combating corruption, improving governance, and facilitating financial and private sector development.

35. **With public spending surging by almost 10 percentage points of GDP from 2008-12, fiscal consolidation is urgently needed**. In 2012, the preliminary figure for the fiscal deficit is 6.1 percent of GDP, the highest currently estimated in Europe and Central Asia. The rise in capital spending is explained by several large energy infrastructure investments; and the growth in current expenditures by recent increases in public wages and pensions. The latter, estimated to have exceeded 24 percent of GDP in 2012, may be difficult to contain or reverse in the foreseeable future. Thus, fiscal consolidation originally scheduled for 2012, but made more difficult by the drop in gold output, will continue to be challenge for 2013. Alongside the Bank's Public Expenditure Review, the IMF is supporting the government's efforts towards medium term fiscal consolidation, in addition to providing resources for budget support under the extended credit facility

[11] Preliminary estimates from the Kyrgyz authorities released at the end of January 2012.

(ECF).[12] Table 2 below presents selected economic indicators for the period under review.

Table 2: Selected Economic Indicators, 2010-14

(in percent of GDP unless indicated otherwise)

	2010	2011	2012	2013	2014
	Act.	Act.	Prel.*	Proj.	
Nominal GDP (in billions of soms)	220.4	286.0	304.4	340.1	390.4
Nominal GDP (in millions of U.S. dollars)	4,794	6,199	6,467	6,998	7,799
Real GDP (growth in percent)	-0.5	6.0	-0.9	8.5	7.5
Non-gold real GDP (growth in percent)	-2.1	5.6	5.0	4.2	5.2
GDP per capita (in U.S. dollars)	875	1,120	1,157	1,240	1,368
Consumer prices (12 month percent change, eop)	18.9	5.7	7.5	7.5	7.1
Consumer prices (12 month percent change, average)	7.8	16.6	2.8	9.5	7.5
Investment and savings					
Investment	23.9	24.1	*25.4*	25.9	24.8
Public	5.4	5.5	*6.7*	7.0	5.9
Private	18.5	18.6	*18.7*	18.9	18.9
Savings	17.5	18.1	*16.4*	19.4	20.3
Public	-0.4	0.9	*0.4*	1.7	1.9
Private	17.9	17.1	*16.0*	17.7	18.4
Savings-investment balance	-6.4	-6.0	*-9.0*	-6.5	-4.5
General government finances					
Total revenue and grants	30.5	31.8	33.8	33.0	31.5
Of which: Tax revenue	22.3	23.1	26.0	26.3	25.7
Total expenditure (including net lending)	36.6	36.3	39.8	38.3	35.5
Of which: Current expenditure	31.0	30.9	32.4	31.3	39.7
Capital expenditure	5.4	5.5	7.8	7.0	5.9
Overall fiscal balance	-6.3	-4.6	-6.1	-5.3	-4.0
Primary balance	-5.4	-3.6	-5.1	-4.2	-3.1
Primary balance (excluding grants)	-8.2	-6.6	-7.0	-5.8	-3.9
Total public debt	60.3	50.1	48.9	51.3	49.3
Banking sector					
Reserve money (percent change, eop)	18.4	12.8	17.7	16.5	16.5
Broad money (percent change, eop)	21.1	14.9	23.8	16.9	16.5
Credit to private sector (percent change, eop)	6.3	20.8	26.2	18.0	19.3
Credit to private sector	12.5	12.2	13.8	13.6	14.1
Velocity of broad money	3.1	3.4	3.1	3.1	3.0
External sector					
Current account balance	-6.4	-6.0	*-9.0*	-6.5	-4.5
Export of goods and services (in millions of US dollars)	2,526	3,482	3,136	4,230	4,963
Export growth (percent change)	-1.1	37.9	-9.9	14.3	17.3
Import of goods and services (in millions of US dollars)	3,917	5,160	6,336	6,400	7,077

[12] The ECF is a three-year $106 million program approved in June 2010. The third review was completed on December 3, 2012, when the next tranche of $15 million was authorized for disbursement.

Import growth (percent change)	6.0	31.7	22.8	8.1	10.6
Gross international reserves (in millions of US dollars)	1,716	1,831	2,067	2,213	2,449
Gross reserves (months of next year imports, eop)	4.0	3.5	3.9	3.8	3.8
External public debt outstanding	55.1	45.9	45.8	46.2	44.5
External public debt service to export ratio (in percent)	3.6	2.8	3.0	2.6	2.3

Sources: Kyrgyz authorities, IMF and World Bank staff calculations.
* Italicized figures are based on projections where the 2012 preliminary figures are not yet available.

Theme 1: Strengthening governance in management of public assets and revenues

Budget Control and Transparency

36. **Development Fund.** Under the erstwhile Central Agency for Development, Investment, and Innovation, headed by the former president's son, a Development Fund (DF) had been set up to receive and allocate external finance to investment projects outside the budgetary process. Its liquid balances were invested in instruments of doubtful quality and in an opaque manner. By end-April 2010, less than a month after the former president's removal, the interim government placed the DF under liquidation and transferred its balances to a special account in the NBKR. The central bank subsequently made arrangements for an external audit that has since been completed and published. The government has restored accountability and responsibility for public investments to the MOF, where all capital spending is now part of the budget and subject to parliamentary approval.[13] The government is also committed to eschew extra-budgetary funds. Evidence that these arrangements are in place and effective includes the following: the MOF publishes all approved and revised budget laws, the medium-term budget framework, and monthly and annual budget execution reports on its website; the treasury likewise publishes detailed budget execution reports and other public financial statements on its website; and the newly empowered parliament conducts budget hearings, with budget committees that involve civil society organizations, professional associations, the media, and independent experts. Furthermore, all external grants and loans to the Kyrgyz Republic, including those by IDA, are now subject to parliamentary approval at both the signature and ratification stages. This provides further positive proof of the country's progress towards improved governance and transparency in the management of public revenues.

37. **Privatization and State Property Management.** In mid-2010, the interim government reversed three privatizations undertaken at end-2009 and early-2010 under the previous government: two electricity distribution companies and the country's largest telecommunications company. These transactions had been conducted improperly, including an undervaluation of assets. Against this background, and with the ERSO's support, the government issued two resolutions during the second half of 2010: one that improved the rules and regulations for conducting privatizations, including provision for open tenders; and the other that strengthened the role of the new Ministry of State Property (formerly the State Property Committee) in managing public assets, specifically

[13] This process is currently being supported by technical assistance on public investment management (PIM) under the World Bank's Capacity for Economic Management project.

government shares in state-owned enterprises. In January 2012, the Ministry of State Property was restructured into the State Property Management Fund, and made responsible for the implementation of the medium term privatization program. The Ministry of Economy is now responsible for the policy making functions related to privatization, and the preparation of privatization programs for review and approval by parliament. The 2012-14 privatization program was approved in April 2012.

38. **Extractive Industries Transparency Initiative (EITI).** At the 5th EITI Global Conference in Paris in March 2011, the Kyrgyz Republic was declared fully compliant with the EITI's global standards for improved transparency in oil, gas and mining—one of only 11 countries to achieve this status to date. Whereas only six companies were reporting at the outset, the number increased to 26 in 2008, 46 in 2011, and 57 in 2012, the latter now covering almost 95 percent of total extractive industries' revenues. The number of government agencies involved has also risen to 35. Since the country's accession to the EITI in June 2004, its secretariat (KEITI) in Bishkek has published six annual reports, the last two including company and government data reconciled by an independent auditor. The most recent annual report available for the year 2009 was approved by KEITI's Supervisory Board and published in May 2011. According to the KEITI Secretariat, data reconciliation by an external auditor is currently underway for 2010 and 2011. The annual reports for these two years are expected to be ready for approval and publication by end-2012. This delay, reportedly due to financial constraints (i.e. the estimated $40,000 cost of data reconciliation by an independent auditor), is a potential concern, as is the end of the KEITI secretariat's $265,000 EITI Multi-Donor Trust Fund (MDTF) grant next June. Unless either government, or other sources of funding, become available during the next six months, the secretariat could be forced to suspend or terminate its activities in mid-2013. This would clearly be unfortunate and raise questions about the EITI's sustainability in the Kyrgyz Republic. Meanwhile, the country has reportedly been selected as a pilot for the EITI/MDTF Civil Society Organizations' (CSO) Support Program designed to increase the diversity and broaden the scope of CSOs involved in the EITI process.

Energy Sector Transparency and Accounting

39. **Energy Sector Transparency Initiative (ESTI).** The interim government's wish to extend EITI principles of transparency and public monitoring to other sectors of the economy led to the adoption of the ESTI by presidential decree in July 2010. Since then, the ERSO supported the creation of a Supervisory Council (SC) in the Ministry of Energy, comprising 12-16 members, half representatives of civil society and half of the power companies.[14] Its main role is oversight, in particular to review actions planned by the energy companies, such as tariff changes, exports, new investments, etc. and thus to raise standards of disclosure and transparency. Second, the government established special escrow accounts at the power generating and transmission companies where all export receipts are now deposited. These funds are then allocated for specific purposes, such as the purchase of fuel for winter heating and power generation. Their use is

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[14] Supervisory Councils have been established in over 40 government ministries and agencies.

monitored by SC representatives on the basis of rules and procedures established through the Ministry of Energy (MOE). Third, the authorities introduced annual performance agreements between the state regulator and energy companies, a first attempt to make power company managers publicly accountable on the basis of agreed indicators and targets.

40. **MOE and SC civil society representatives report modest steps forward during the past 18-24 months in terms of improved data availability, greater public participation in decision-making, and growing, if still limited, public accountability.** The initial targets set for increasing collections and reducing losses in 2011 were both met and, in the case of losses, exceeded. However, neither the ESTI mandate nor the SC's composition is designed to address the energy sector's principal challenges, e.g. financial viability, export potential, and the still unsatisfactory regulatory framework. These and other medium and longer-term strategic issues are to be supported in the upcoming DPO series.

Financial Sector Stability

41. **Restructuring and assisting financially distressed banks**. The NBKR took seven banks under temporary administration, including the financially-distressed Asia Universal Bank (AUB), the country's largest bank. The AUB was nationalized, declared bankrupt, and subsequently split into two—one good bank (Zalkar) and one bad bank (AUB). Several attempts have been made to privatize Zalkar bank through auction. [15] An overvalued floor price has been cited as one element that could be deterring investors. More recently, two potential investors withdrew their interest from the January 2013 auction, mentioning heightened political risk stemming from government threats to nationalize Kumtor, the country's main gold mine. AUB, and perhaps now Zalkar, will be liquidated. Three other small banks remain under conservatorship, with action to resolve them on hold because of pending court cases by shareholders. Meanwhile, banking system indicators have begun to improve (*cf.* Table 3 below). In 2011, for example the liquidity ratio increased to 74.9 percent, deposits to 13.5 percent of GDP, and profitability, as measured by return on equity and return on assets, also improved.

Table 3: Banking Sector Indicators

	2009	2010	2011	2012(Q1)	2012(Q2)
Total assets, in percent of GDP	34.6	27.3	24.4	25.8	27.0
Total deposits, in percent of GDP	16.9	13.0	13.5	14.5	13.9
Total loans, in percent GDP	12.8	12.4	11.4	11.8	12.4
Total capital/total assets, in percent	20.5	19.7	20.1	19.4	17.9
Liquidity ratio, in percent	86.8	72.8	74.9	83.5	80.3
Nonperforming loans/total loans, in percent	8.2	15.8	10.2	9.9	9.0
Return on equity, in percent	13.6	7.1	17.7	15.0	16.9
Return on assets, in percent	2.5	1.1	3.0	2.7	2.7

Source: Bulletin of the National bank of the Kyrgyz Republic, Table IV 3.5

[15] The IFC has been working with the government on the privatization of Zalkar.

42. **The challenges faced by NBKR in resolving problem banks highlighted deficiencies in the bank resolution legal framework, which prevented it from acting promptly with banks placed under official administration**. It also highlighted weaknesses in the supervisory framework, including onsite and offsite supervision, stress testing, and contingency planning and crisis management, especially for large or 'systemic' banks. There are also deficiencies in the regulatory framework. For example, the regulation on credit risk management does not explicitly require banks to adopt uniform asset classification within the bank or across banks, which can lead to an understatement of non-performing loans. In addition, there are no regulations on electronic banking, business continuity planning, outsourcing, new products and related risks, Basel II, Basel III, consolidated supervision, and risk-based supervision. The NBKR is drafting a banking code, which is due to be submitted to the Government by April 2013.[16] Support for some of these legal, regulatory and supervisory issues and the NBKR's capacity to monitor and address vulnerabilities is one component of an IDA-financed financial sector development project approved in 2012, which was also designed to address the framework for microfinance institutions and credit unions. However, this project has not been approved by the parliament. The Bank and the authorities are working together to restructure the project.

43. **The ERSO supported a government resolution that reconstituted the Deposit Protection Agency (DPA) as an independent legal entity with a supervisory board.** This helped clarify the roles, responsibilities, and accountability of the DPA itself, as well as the central bank and the government, and was thus an important step towards improved governance. However, the authorities should strengthen and improve the law on deposit protection and internal procedures on readiness for efficient performance of its functions.

Theme 2: Safeguarding social protection, supporting conflict-affected population

Safeguarding Social Protection and Supporting Conflict-affected Population

44. **The ERSO supported the authorities' measures to prevent the erosion of already meager unified monthly benefits in the face of rising inflation.** Given the relationship between the guaranteed monthly income (GMI) and unified monthly benefits, the authorities raised the former by 10 percent in mid-2010 and by 19 percent in mid-2011. They also took action to reduce the number of poorly targeted categorical benefits, from 39 to 25, which are non-renewable and are expected to expire in several years. In addition, the major categorical benefits were monetized as direct payments in cash.

45. **In the immediate post-conflict period, the government provided significant support to affected people in the form of cash compensation, and support to re-establish livelihoods, re-start private businesses, and stimulate investment and trade.** The provisional government adopted a decree in August 2010 that established

[16] The banking code is being prepared with support from the IMF.

additional monthly social benefits to affected groups, e.g. children and parents of the dead, those disabled as a result of the violence, and a lump-sum payment to children of missing citizens.[17] Affected businesses were granted tax exemptions on profits, sales, immovable property, and land. To further stimulate employment, businesses in the south were allowed to reduce their social fund contributions. The re-establishment of essential infrastructure and utility services such as electric power and public transport in Jalalabad and Osh also helped to raise output.

46. **While the Kyrgyz Republic spends over 5 percent of GDP on social protection, including 2 percent on social assistance, the latter favors non-targeted programs**. By contrast, coverage of the monthly benefit for poor families—the only social assistance program targeted to the poorest—has actually fallen since 2007. Thus, despite the decrease in the number of categorical benefits supported by the ESRO, the social safety net plays a limited role in protecting the poor. The main priority going forward is to consolidate and further reduce the number of categorical benefits and shift social assistance spending decisively towards poverty-targeted programs. Besides re-allocating financial resources, this will also require improved benefits administration, oversight and control, as well as outreach efforts to improve coverage—both objectives of two ongoing IDA-supported technical assistance activities.

Table 4: Expected and Actual Outcomes

Outcome Indicator	**Outcome Target**	**Status**
Comprehensive information available to fully assess the fiscal stance over the medium term.	2011 budget submitted to parliament on a fully consolidated basis.	2011 and 2012 fully consolidated budgets submitted and discussed in parliament. No funds are operational outside the budget. A public finance management technical assistance project supports the strengthening of MOF's control of capital spending.
Transparent rules-based privatization process.	Privatizations implemented in line with best practice.	Privatization of small assets. In April 2012, Parliament approved a 2012-14 privatization program.
Continued publication of EITI report to inform the public at large.	46 extractive companies provide EITI reports that are subject to an independent reconciliation.	46 and 57 companies reported under the EITI in 2011 and 2012 respectively. The 2009 report was published in 2011 and the 2010 and 2011 reports are due by early 2013. The sustainability of the KEITI secretariat is uncertain as funding ends in June 2013.
Degree of transparent participatory process in strategic decision making in the energy sector.	All strategic decisions in the sector incorporate public feedback through the Supervisory Council and in other forms. The level of stakeholders' confidence in transparent management and reporting of the sector increases.	Supervisory Council established with representation from civil society, government and industry. Civil society representatives have reported positively on the new dialogue.

[17] The ERSO supported the government's efforts to mobilize resources for a one time assistance package for conflict-affected groups. However, social assistance for these groups has been kept in the 2012 budget, pushing up expenditures and counteracting efforts towards fiscal consolidation.

Escrow accounts at the Power Plants and the Kyrgyz National Electricity Grid companies are established.	Power export proceeds are accounted for and used transparently and escrow accounts balances and use of funds is reported on quarterly basis.	Escrow accounts set up and their accounts made available online.
Tools to monitor sector performance and improve performance accountability.	Regulatory/accountability tools to monitor the sector performance are designed and followed.	Six Performance Agreements signed and updated on an annual basis.
Losses (percentage of kWh generated)	26% (end-2011) from 29.3% (end-2009)	Target exceeded by mid-November, 2011 (24.3%).
Collection rate per kWh delivered to the internal market.	KGS.94 (end-2011) from KGS. 0.81 (end-2009)	Target achieved in mid-November, 2011. Government has developed an energy sector development strategy (2012-2015), which focuses on further improvements in efficiency
Transparent revenue sharing mechanism.	Revenue sharing regulation developed and adopted with clear and transparent criteria.	Regulations in place, helping reduce the frequency of changes in share of revenues given to distribution, transmission, and generation companies. Government is working with the ADB to create a settlement center, further improving transparency.
AUB resolution.	Major bank nationalized and restructured through a "good bank, bad bank" split. Other banks put under conservatorship, temporary administration, or direct supervision. Stability and confidence in the banking sector partly restored.	AUB separated into "AUB" and Zalkar Bank. Several attempts have been made to privatize Zalkar Bank through auction. AUB will be liquidated. The resolution of three remaining banks is currently on hold.
Banks' adherence to prudential norms, including capital, and NBKR's supervisory response (timeliness and appropriateness).	NBKR equipped to supervise the banking sector, address vulnerabilities in a timely manner, and resolve troubled banks efficiently.	The new banking code will harmonize the legal framework for the banking sector, removing some of the inconsistencies that undermined NBKR's ability to take prompt actions to deal with banks placed under official administration.
Capacity of DPA to conduct a payout in case of a bank liquidation.	DPA's legal status will be clear, paving the way for needed reforms to strengthen the deposit protection system.	The DPA is now legally independent and its capacity is supported through World Bank technical assistance project (February 2011).
Average monthly benefit for poor families with children per beneficiary household.	Monthly benefit of 200 som based on GMI of 370 som per capita per month (as of July 1, 2011).	Monthly benefit increased to 370 som from mid-2011, including a top-up of 40 som as food price compensation. The government is working with the World Bank under the Public Expenditure Review, to improve targeting of current social expenditures.
Number of rights-based categories of benefits.	25 rights-based categories of benefit recipients remaining.	Categorical benefits reduced. Shift towards more targeted social assistance spending has not yet commenced.
Payment of social allowances to help conflict-affected families.	Conflict-affected families granted benefits to cope with the consequences of the conflict.	Lump sum payment to families of the dead; additional monthly social benefits for affected families; and rehabilitation of the most affected regions in the south.

3.4 Justification of Overall Outcome Rating

Rating: ***Satisfactory***

47. **All short-term program development outcomes were achieved and most medium-term policies and outcomes are on track.** All fifteen targets for expected outcomes in the matrix of policy actions have been either met in full or, where these were qualitative in nature (for example reforms that strengthen the NBKR's supervisory role), are ongoing. With ERSO and other development partner support, the Kyrgyz economy rebounded quickly from the shock of the crisis and its medium-term growth prospects are favorable. This outlook is, however, dependent on gold output and prices, the flow of remittances, and in particular the authorities' continued commitment to structural reforms. While the focus during the last eighteen months has been on governance and the management of public assets and resources, there is also a need for structural reforms designed to enable other areas of the economy to grow.

48. **The Kyrgyz financial system has recovered from the political upheavals of 2010, thanks mainly to prompt action by the NBKR to restore stability.** By restructuring AUB into two new entities, Zalkar Bank and AUB, NBKR helped restore stability and confidence in the banking system. Furthermore, by introducing direct supervision and temporary administration procedures for the rehabilitation of six other financially distressed banks, it prevented contagion. By initiating action plans and bank-specific supervision strategies to strengthen problem banks, the NBKR helped restore financial health in some banks while initiating resolution of others. Now that bank supervisory response mechanisms for identifying critical shortcomings in banks have been adopted, NBKR is better equipped to supervise the banking system, address vulnerabilities in a timely manner, and resolve troubled banks efficiently.

3.5 Overarching Themes, Other Outcomes and Impacts

(a) Poverty Impacts, Gender Aspects, and Social Development

49. **The ERSO program's emphasis on improved governance was intended to have a positive social impact, while its focus on safeguarding social protection and supporting the conflict-affected population was designed to help reduce poverty.** Beneficiary surveys and/or stakeholder workshops were not part of this ICR process. It is difficult therefore, and probably premature, to try to judge whether, and to what extent these intended social and poverty impacts are likely to materialize. However, anecdotal evidence collected from civil society representatives during preparation of this ICR—as well as the still popular support for the government's 2012-14 medium-term development program in which governance and anti-corruption remain one of its three pillars—suggest that the initial social impact is positive.. As for poverty, the impact of the three policy measures designed to safeguard social protection in general and to support conflict-affected people in particular remains to be determined. In this context, according to official data, not only did overall poverty increase to 34 percent at the peak of the crisis in 2010 but also to 37 percent in 2011, which may be either a delayed effect or due to other

factors unrelated to the crisis. Given its importance, especially in the politically aware Kyrgyz environment, this issue may require additional, more detailed follow up analysis or investigation than was possible in the context of this ICR.

(b) Institutional Change/Strengthening

50. Support for strengthening governance in the management of public assets and resources contributed to the following achievements:

- The MOF controls all capital expenditures and annual budgets are submitted to parliament on a consolidated basis.
- The new State Property Management Fund has adopted improved, more transparent privatization policies and practices, including a privatization program that is subject to parliamentary approval. Similar improved norms and practices on state property are improving the management of state-owned enterprises.
- Supervisory Councils, designed to enhance transparency and improve public accountability, have been established not only in the Ministry of Energy—one focus of the ERSO—but also in over 40 government agencies and ministries.
- New rules and regulations have strengthened the central bank's ability to: (a) directly supervise, temporarily administer, and rehabilitate financially distressed banks; and (b) anticipate and initiate preventive and corrective actions vis-à-vis financially distressed banks.
- The Deposit Protection Agency (DPA), formerly a department of the MOF, is now an independent legal entity.

4. Assessment of Risk to Development Outcome

Rating: ***Substantial***

51. **Small, open, landlocked, and overly reliant on gold and remittances, the Kyrgyz economy is especially vulnerable to macroeconomic shocks.** Besides the external risks noted in the program document, fiscal consolidation while at the same time safeguarding social spending may become a growing challenge going forward. Banking system risks have diminished, but NBKR's capacity and the legal framework for bank regulation and supervision need strengthening.

52. **The two main internal risks to development outcomes remain political and institutional.** While the political risks outlined in the ERSO program document—the viability of the constitution, a poorly managed political transition, and power sharing following the presidential election—have not materialized, the country's transition to more open, rules-based representative government remains a work in progress and subject to periodic instability. On the other hand, the main ERSO-supported measures to strengthen governance remain in place and their implementation will continue to be a focus of several ongoing and upcoming operations. They are also central to the Bank's

dialogue with the authorities and are likely to feature prominently in the next Country Assistance Strategy (CAS).

53. **Human and institutional capacity, however, remains a concern, partly the result of political changes as well as rapid staff turnover.** The government's ability to coordinate across key economic and social sectors and its capacity for program implementation remains weak—despite the fact that human capital development has been a major feature of development partner support for many years. This is a particular risk for cross-sectoral areas such as governance.

5. Assessment of Bank and Borrower Performance

5.1 Bank Performance

(a) Bank Performance in Ensuring Quality at Entry

Rating: ***Satisfactory***

54. **The ERSO's preparation was a timely response to the Kyrgyz request for support following the mid-2010 crisis.** The entire process, from Concept Review to approval by the Executive Directors, took just over six months. Despite this accelerated process, the operation was thoroughly reviewed within the ECA Region as well as Bank-wide and the team was able to address reviewers' concerns satisfactorily. The ERSO design reflected both the Kyrgyz Republic's short-term challenges and priorities and its medium-term vision for restoring private sector confidence and reviving the economy. At the same time, the operation was selective: it focused on two themes which included a manageable number of closely related policy measures. Preparation was evidently facilitated by, and drew upon the JEA completed six months earlier, as well as the simultaneous preparation and processing of the FY12-13 ISN.

(b) Quality of Supervision

Rating*: **Satisfactory***

55. **The operation was supervised in the context of continued dialogue on economic policy and governance**. This included a formal ERSO supervision undertaken in November 2011 at the time of credit and grant effectiveness, as well as supervision of ongoing technical assistance operations in capacity building for economic management (CBEM), governance, public finance management, and health and social protection. In addition, the Bank is currently actively engaged with the authorities on a public expenditure review and the preparation of the planned FY13 DPO series.

5.2 Borrower Performance

(a) Government Performance

Rating: ***Satisfactory***

56. **The provisional administration moved quickly to prepare an anti-crisis program which, together with the JEA, was the basis for the hastily convened July 2010 multi-development partner conference.** This was followed by an 'Economy and Security' program for 2011 and by end-2011 a three-year medium-term development strategy, 2012-14. The 10-page Letter of Development Policy not only covered the government's response to the crisis, but also outlined its vision for the medium-term and, in some detail, the key structural reforms envisaged. Since the ERSO preparation did not formally begin until February 2011, appraisal and negotiations were conducted with a sense of urgency in a very fragile environment with a government still establishing itself. Considering these uncertainties, during 2010 and the first three quarters of 2011, especially in the south, the government's performance in addressing both short- and long-term issues was clearly satisfactory.

6. Lessons Learned

57. **The Bank needs to engage more actively, albeit indirectly, in the Kyrgyz reform process, especially in cross-cutting policy areas requiring inter-sectoral coordination.** The government remains fragmented and poorly coordinated, which hinders its ability to take coherent decisions efficiently. The reform process tends to proceed sporadically, reflecting the time and effort often needed to develop and achieve consensus on the way forward. This is particularly the case in cross-cutting and sensitive areas such as governance and transparency where vested interests remain strong. In these circumstances, key reforms need to be secured at the highest political level early in the preparation process and, to ensure implementation and sustainability, they may also need to be re-affirmed periodically at the same high level. Consultations with other stakeholders, such as members of parliament and civil society representatives are also essential. Finally, for preparation and implementation of multi-sectoral operations such as the ERSO, the government may need to establish a more formal coordination mechanism or structure.

58. **A single-tranche operation can be an adequate response to an emergency or crisis, but its effectiveness and impact may ultimately be a function of the prospect for follow-up operations.** Initially designed as a single-tranche operation, and supporting reforms undertaken or underway since the mid-2010 crisis, the ERSO balanced short-term needs and medium-term concerns. This approach and the prospect of a series of multi-year programmatic development policy operations, if the authorities stayed the course, arguably enhanced its potential longer-term impact and, in turn, facilitated the preparation of the planed FY13 DPO series.

59. **A well-designed development policy operation can send a powerful signal to the international community about the commitment, if not the capacity of the authorities, to mitigate the impact of a crisis**. While the Bank's leadership of the post-crisis response during 2010, including the multi-development conference and its FY11 *Emergency Recovery Project* and additional financing, preceded preparation of the ERSO, the Bank's plans to resume budget support were well known and doubtless encouraged others, such as the ADB and the EU, to follow. Anti-corruption and governance will continue to frame the Bank's country strategy, and its continued

emphasis on these issues not only reinforces government commitment but also contributes to stability. However, there remains a very substantial agenda and, notwithstanding understandable concerns about the need for visible results, patience and a long-term view and commitment are necessary.

60. **Both political will and the government's ability to finance reforms in the medium term are essential for sustainability.** A number of medium term outcomes are currently contingent on the availability of external finance, e.g. funding for the KEITI secretariat; support for financial sector reforms and improved capacity in the central bank; and financing from the Bank and the ADB in the energy sector. Responsibility for the sustainability of these reforms rests with the government and its willingness and ability to finance them over the medium-term.

7. Comments on Issues Raised by Borrower/Implementing Agencies/Partners

(a) Borrower/Implementing agencies

61. Detailed comments on the draft ICR were received from the government of the Kyrgyz Republic, including from the Ministry of Finance, the Deposit Protection Agency and the National Bank of the Kyrgyz Republic. Factual inaccuracies have subsequently been corrected. Other suggestions and additional information provided by the authorities have been summarized in Annex 2.

(b) Cofinanciers

Not Applicable

(c) Other partners and stakeholders

Not Applicable

Annex 1: Bank Lending and Supervision Processes

(a) Task Team members

Names	Title	Unit	Responsibility/ Specialty
Lending			
Afsaneh Sedghi	Senior Economist	ECSP1	TTL
Anastassia Alexandrova	Senior Social Protection Specialist	ECSH3	Social Protection
Jesus Renzoli	Consultant	ECSO2	Consultant
John Otieno Ogallo	Senior Financial Management Specialist	ECSO3	Financial Management
Brett E. Coleman	Senior Financial Management Specialist	ECSF2	Financial Management
Mirlan Aldayarov	Energy Specialist	ECSS2	Energy
Sarah Nankya Babirye	Program Assistant	ECSP1	Program Assistant
Bakyt Dubashov	Economist	ECSP1	Economist
Supervision			
Afsaneh Sedghi	Senior Economist	ECSP1	TTL
Anastassia Alexandrova	Senior Social Protection Specialist	ECSH3	Social Protection
Jesus Renzoli	Consultant	ECSO2	Consultant
John Otieno Ogallo	Senior Financial Management Specialist	ECSO3	Financial Management
Brett E. Coleman	Senior Financial Management Specialist	ECSF2	Financial Management
Mirlan Aldayarov	Energy Specialist	ECSS2	Energy
Sarah Nankya Babirye	Program Assistant	ECSP1	Program Assistant
Bakyt Dubashov	Economist	ECSP1	Economist

(b) Staff Time and Cost

Stage	Staff Time and Cost (Bank Budget Only)	
	No. of staff weeks	USD Thousands (including travel and consultant costs)
Lending		
Total:	66.14	$362,842.5
Supervision/ICR		
Total:	8.48	$124,286.7

Annex 2: Summary of Borrower's Comments on Draft ICR[18]

- Comments on privatization and state property management
  - Paragraph 36 should be updated to read as follows: "In mid-2010, the Interim Government reversed privatization of two electricity distribution companies and the country's largest telecommunications company undertaken at end-2009 and early-2010 under the previous Government of the Kyrgyz Republic. These transactions had been conducted improperly, including undervaluation of assets. The Government of the Kyrgyz Republic has made a number of decisions that allow taking back into state ownership property that was previously illegally privatized, as well as adjust and strengthen asset management standards and practices applied by the Ministry of State Property (former State Property Management Committee), thereby ensuring transparency and openness of the privatization process. In January 2012, the Ministry of State Property was reorganized into the State Property Management Fund under the Government of the Kyrgyz Republic responsible for practical implementation of the medium-term privatization program approved by the Parliament. The policy-making functions in this area have been vested into the Ministry of Economy of the Kyrgyz Republic. The Ministry came up with a privatization program for 2012-2014, which was adopted by the Parliament in April 2012."
  - Additional information on privatization should be included in paragraph 49: "The privatization process is implemented on the basis of a medium-term program of privatization of state property (normally approved for three years). Until very recently, the medium-term privatization program as the main regulatory document that defined the list of state property assets to be privatized was approved by the Government. In June 2011, the sector legislation was amended (Law of the Kyrgyz Republic on amendments to the Law on privatization of state property in the Kyrgyz Republic, KR Law No.54 dated June 23, 2011) in a way that set a requirement for the privatization program to be approved by the Parliament. This mechanism provides for control, efficiency and accountability in the process of privatization of state property.
- Comments on social protection
  - The PDO indicator should be reworded to the following:

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Guaranteed minimum income (GMI), to which the value of per capita	GMI is KGS 282*	Increasing GMI by at least 10% of the	KGS 310	370 m***

[18] This annex provides a summary of the comments received from the government of the Kyrgyz Republic. Comments on factual inaccuracies have been addressed in the main body of the report. The remaining substantive comments, and provision of additional information, are captured in this annex. This summary is not therefore a verbatim representation of the government's letter responding to the draft ICR report.

income in a Poor Family is brought.		baseline (KGS 310)**		

* The GMI was increased to KGS 282 in January 2010, therefore, whenever this report covers a period between April 2010 and June 2011, the baseline value of this indicator is not KGS 240, but KGS 282.

** It was originally proposed to increase GMI to KGS 310.

*** The size of GMI has been set at a level of KGS 370 from July 1, 2011 by Resolution No.134 of the Government of the Kyrgyz Republic on improving the level of social protection of children in the Kyrgyz Republic, dated April 4, 2011.

 - The word "benefits" when referring to "No. of rights-based categories of benefits" should be replaced with "compensation", and the expression "rights-based" should be removed.
 - The following information should be included in the Description column of Table 1: "In pursuance of the Resolution No.131 of the Government of the Kyrgyz Republic on improving social support of vulnerable people, dated July 20, 2010, GMI has been increased by 10% from June 1, 2010 and reached KGS 310." and "In pursuance of the Resolution No.134 of the Government of the Kyrgyz Republic on improving the level of social protection of children in the Kyrgyz Republic, dated April 4, 2011, GMI has been increased by 19% from July 1, 2011 and reached KGS 370."

- Comments on the financial sector
  - Additional information on the policy actions to improve the supervisory function of NBKR (table one):

According to the "Methodology of the structure of reports on implementation of the supervision function by the NBKR" approved by the Board of the National Bank on June 29, 2011, the Supervisory Unit of the National Bank reports, on a quarterly basis, for consideration by the Board of the National Bank:

- key performance indicators of the banking system and nonbank financial intermediaries (NBFIs);
- supervision of the banking system and NBFIs;
- licensing of the banking system and NBFI activities;
- methodology of supervision and regulation; and
- information on the correspondence with the Administration of the President of the Kyrgyz Republic and the Government of the Kyrgyz Republic, participation in working groups, reviewing requests made by banks, NBFIs, public agencies and citizens.

In accordance with the regulations of the Supervision Committee of the NBKR, the External Supervision Unit of the National Bank submits the following, at least once a month, for consideration by the Supervisory Committee:

- Implementation report on the banks' supervision strategies;
- Information on compliance/non-compliance of commercial banks and micro-finance companies and deposit-mobilizing credit unions with prudential standards and requirements based on the findings of due diligence, as well as external oversight;

- Outcomes of applying regulatory supervision measures to banks and micro-finance companies and deposit-mobilizing credit unions.

– Additional information on the policy actions related to the Deposit Protection Agency (DPA):

Governmental Decree No.269 of May 31, 2011, modified the institutional and management structure of the Ministry of Finance (MOF) by eliminating the position of "Deposit Protection Agency under MOF". In pursuance of the Presidential Decree No.181 of August 5, 2011, the Deposit Protection Agency (DPA) was withdrawn from the MOF structure and transferred to the jurisdiction of the President of the Kyrgyz Republic. On September 21, 2011, the Prime Minister of the Kyrgyz Republic signed Resolution No.567 to approve Regulations governing the DPA. Under the Law on Protection of Bank Deposits, the Regulations of the DPA are approved by the Government.

– Additional information on financial sector stability (paragraph 41):

Regulation on classification of assets and corresponding deductions for adequate loan loss provision was approved by Resolution No.18/3 of the Board of NBKR on July 21, 2004. Banks are required to conduct periodic classification of their loan portfolios and other assets, continuously assess the quality of their assets and create loan loss provision for timely coverage of potential losses and damages, as well as to determine their actual financial condition and performance.

The following regulations stipulate the requirements on banking payment transactions, and business continuity planning:

- Regulation on minimum requirements for operational risk management in commercial banks of the Kyrgyz Republic (approved by Resolution No.37/5 of the Board of the National Bank dated 12.15.2005);
- Information security standards for institutions of the banking system of the Kyrgyz Republic (approved by Resolution No.24/10 of the Board of the National Bank dated 09.15.2004)
- Regulations on basic requirements for commercial banks upon conclusion of agency agreements for provision of retail banking services (approved by Resolution No.36/7 of the Board of the National Bank dated 09.15.2010.).

– Additional information on provision for Islamic banking activities

Regulations on new products and associated risks were drafted and passed into law in 2009. These regulations help ensure equal conditions for all banking sector participants and provide conditions for Islamic banking activities. The National Bank drafts laws and regulations to govern activities of Islamic banks and banks with "Islamic windows" (departments of conventional banks offering Islamic financial services) based on: (i) Islamic standards (Sharia); (ii) international standards for regulatory and supervisory authorities issued by the Islamic Financial Services Board (ISFB) covering the banking, capital market, insurance; (iii) accounting, auditing and management standards for

Islamic financial institutions; and iv) Basel Core Principles for Effective Banking Supervision.

A bill on amendments to some acts of law (Law on microfinance organizations, Law on foreign currency transactions, and Law on credit unions) is pending in the Parliament. This bill, inter alia, provides for the right of microfinance institutions and credit unions to make transactions in accordance with the Islamic principles of banking and finance.

– Additional information on consolidated supervision procedures (paragraph 42)

Requirements for consolidated supervision procedures are captured under the following instruments:

- Law on Banks and Banking in the Kyrgyz Republic;
- Regulation on consolidated supervision (approved by Resolution No.2/3 of the Board of the National Bank dated 02.17.2010);
- Regulation on periodic consolidated regulatory statements (approved by Resolution No.52/3 of the Board of the National Bank dated 06.30.2010);
- Methodology Guidelines for completing the periodic consolidated regulatory statements (approved by Resolution No.5/1 of the Board of the National Bank dated 03.12.2011).

– Additional information on risk assessment by the NBKR (paragraph 42)

The following regulations and instruments guide risk assessment in the NBKR:

- Regulations on minimum requirements for risk management in banks of the Kyrgyz Republic (approved by Resolution No.36/10 of the Board of the National Bank dated 12.29.2004);
- Regulations on minimum requirements for credit risk management in commercial banks and other financial institutions licensed by the National Bank of the Kyrgyz Republic (approved by Resolution No.52/4 of the Board of the National Bank dated 06.30.2010);
- Regulations on minimum requirements for country risk management in commercial banks and other financial institutions licensed by the National Bank of the Kyrgyz Republic (approved by Resolution No.19/3 of the Board of the National Bank dated 06.28.2006);
- Regulations on minimum requirements for operational risk management in commercial banks (approved by Resolution No.37/5 of the Board of the National Bank dated 12.15.2005);
- Regulations on minimum requirements for market risk management in commercial banks and other financial institutions licensed by the National Bank of the Kyrgyz Republic (approved by Resolution No.19/2 of the Board of the National Bank dated 06.28.2006);
- Regulations on minimum requirements for internal control in commercial banks and other financial institutions licensed by the National Bank of the Kyrgyz Republic for Anti-Money Laundering, Combating the Financing of Terrorism

(AML/CFT) (approved by Resolution No.96/2 of the Board of the National Bank dated 12.29.2010);

- Additional information on the incorporation of Basel I in the Kyrgyz Republic (paragraph 42)

Pillar 1: Minimum capital requirements

Operational risk measurement techniques of NBKR have been developed and approved by Resolution No.5/2 of the Supervision Committee of NBKR dated April 14, 2009. Additionally, methodology guidelines to determine the level of capital required to cover operational risks have been developed.

Pillar 2: Supervisory review process

With regards to the *third principle* of Pillar 2, Banks are advised to set internal limits for prudential standards and requirements that should be below the maximum and above the minimum limits set by the NBKR. This is in accordance with the Regulations on mandatory economic standards and requirements for commercial banks of the Kyrgyz Republic (approved by Resolution No.18/1 of the National Bank of the Kyrgyz Republic dated July 21, 2004)

With regards to the *fourth principle* of Pillar 2, the NBKR has the authority to take appropriate enforcement actions, if capital is not maintained at an adequate level. This is in accordance with the current banking laws and regulations on enforcement actions applied to banks and some other financial institutions licensed by the NBKR (Resolution No.16/2 of the Board of the National Bank of the Kyrgyz Republic dated May 19, 2005).

Pillar 3: Market discipline (information disclosure)

Elements of this Pillar are partially implemented and are guided by the following:

- Law on banks and banking activities in the Kyrgyz Republic
- Regulation on requirements for financial reporting of commercial banks of the Kyrgyz Republic (Resolution No.33/2 of the Board of the National Bank of the Kyrgyz Republic dated December 3, 2003.)
- Regulations on minimum requirements for external audit of banks and other financial institutions licensed by the National Bank of the Kyrgyz Republic (Resolution No. 22/2 of the Board of the National Bank of the Kyrgyz Republic dated July 14, 2005)
- Regulations on the periodic regulatory bank statements (Resolution No.26/5 of the Board of the National Bank of the Kyrgyz Republic dated August 25, 2005)

Information about the level of interest rates, commission fees and charges for the provision of banking services is reviewed during bank inspections.

Annex 3: Comments of Cofinanciers and Other Partners/Stakeholders

Not Applicable

Annex 4: List of Supporting Documents

ADB/IMF/World Bank:

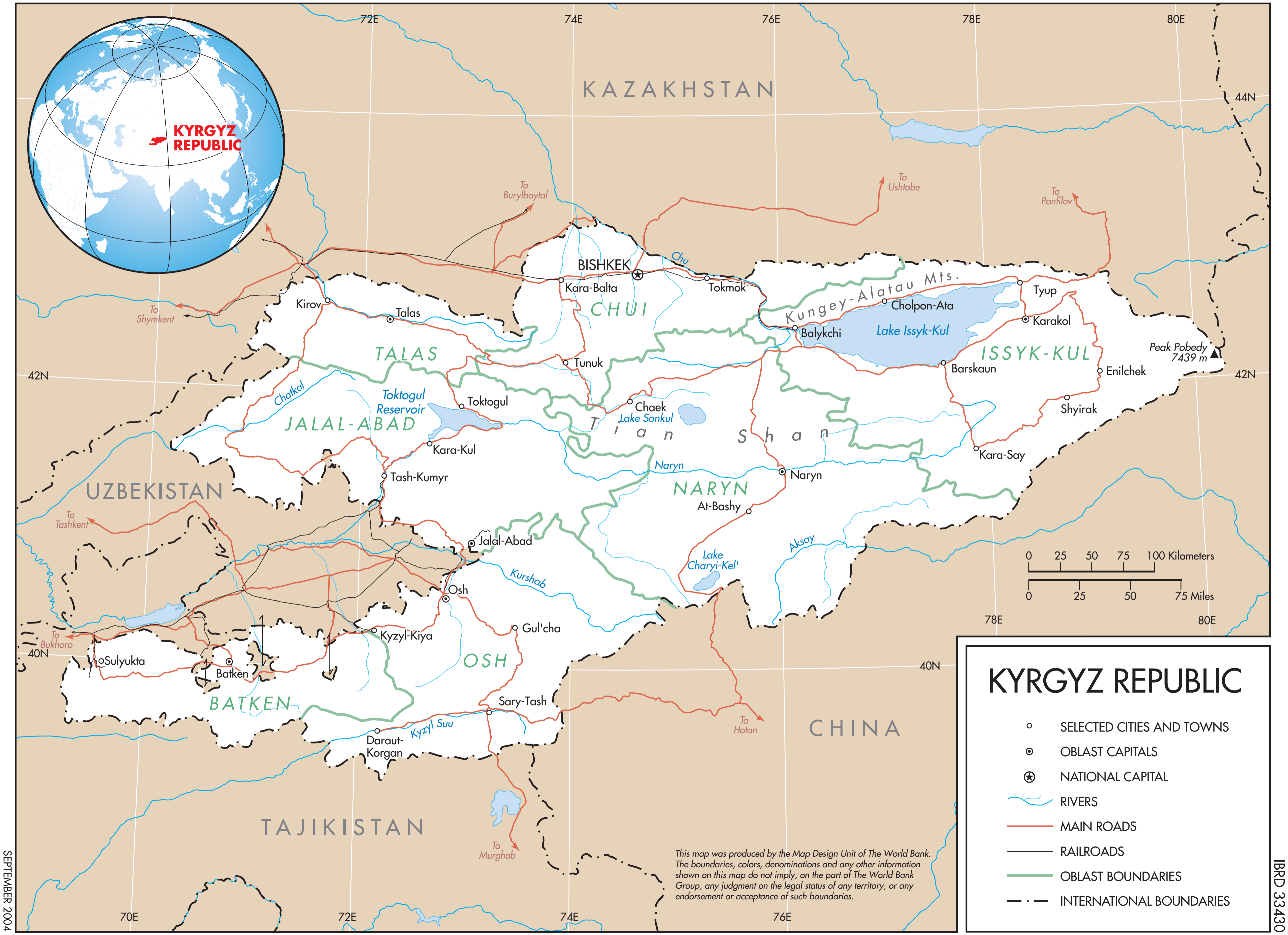
Joint Economic Assessment: Reconciliation, Recovery and Reconstruction, July 21 2010.

IMF:

Kyrgyz Republic: 2011 Article IV Consultation—Staff Report (June 25, 2011)
Kyrgyz Republic: First Review under 3-year Extended Credit Facility (December 14, 2011
Kyrgyz Republic: Second Review under 3-year Extended Credit Facility (May 15, 2012)

World Bank:

Kyrgyz Republic: Program Document for Economic Recovery Support Operation, June 30, 2011
Kyrgyz Republic: Country Assistance Interim Strategy Note, FY13-14, June 16, 2011
Kyrgyz Republic: Programmatic Public Expenditure Review—Draft Concept Note
Kyrgyz Republic: Project Appraisal Reports and Implementation Status Reports for: Capacity Building for Economic Management, Emergency Recovery, Financial Sector Development, Governance Technical Assistance, Health & Social Protection, Payments System & Banking Modernization as well as TA documents for: Deposit Protection Agency, EITI, Mining,


KYRGYZ REPUBLIC
SELECTED CITIES AND TOWNS
OBLAST CAPITALS
NATIONAL CAPITAL
RIVERS
MAIN ROADS
RAILROADS
OBLAST BOUNDARIES
INTERNATIONAL BOUNDARIES
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KYRGYZ REPUBLIC
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UZBEKISTAN
TAJIKISTAN
CHINA
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OSH
BATKEN
BISHKEK
Kara-Balta
Tokmok
Kirov
Talas
Tunuk
Toktogul
Toktogul Reservoir
Chatkal
Kara-Kul
Tash-Kumyr
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Sulyukta
Batken
Sary-Tash
Daraut-Korgan
Kyzyl Suu
Chaek
Lake Sonkul
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