Kyrgyz Republic: Country Assistance Strategy

The World Bank Group Strategy presented for discussion today offers an insightful analysis of the transition in the Kyrgyz Republic. The number of open questions it leaves, however, exceeds the number of answers it provides.

First and foremost, the document does not address the question how come that a country with “an impressive track record of macrostabilization and policy reform” “achieved” a decline of GNP per capita of over 30 per cent and an increase in absolute poverty levels by 10 percentage points over the period of the last CAS. How much of this outcome is due to the difficult initial conditions of transition and the external constraints and how much - to off-the-shelf policy advice, not tailored to the particular circumstances of the country in terms of sequence and pace?

Second, are there any lessons that the Bank learned in the Kyrgyz Republic and what assurance can staff give that the severe social and economic problems of the country are going to be addressed in a meaningful way. The lessons reported in the relevant section (paragraphs 43 - 45), where we are told that the Resident mission has expanded or integration of IFC and EDI programs with Bank operations is “beginning to be achieved” are not the relevant ones.

Third, one can infer from the analysis in the document that the Kyrgyz Republic will need more than 13 years to recover the per capita GDP lost just between 1993 and 1996. At the same time in a small open economy like the Kyrgyz one, one or two larger projects could have a significant and immediate impact on the economy as a whole, as was the case with the Kumtor project in Kyrgyzstan itself. The Private Sector Assessment identifies hydropower as one such sub-sector with significant potential for growth and exports. The question is whether the Bank contemplates identifying investment opportunities with a potentially significant contribution to growth or prefers to confine itself to the conclusion that “without growth, there will be no meaningful reduction in poverty” (para “v”)? Before receiving a response to this question I have difficulty in reaching a judgment “whether the broad-based growth is and complementary poverty reduction initiatives is the appropriate strategy to follow”.

Fourth, the document leaves the impression that getting the policies right is not enough to elicit supply response. Substantial
complementary efforts are needed in building management, marketing and financial skills (para 17 of the Attachment). The question is whether the EDI activities were adequately prioritized in the past and whether there are plans to assist with capacity building in the private sector in the near future?

Fifth, what is the role of the Bank in general and the Resident Mission in particular in coordinating multiple bilateral donor support available to the country? To advise the Government to better coordinate the programs itself (para 56) while it “is still establishing institutional capacity to deal with the rapid changes in legislation” (para 2), is an easy way out for the Bank.

Summing up, the detached attitude adopted in this CAS is not acceptable. The Bank should increase and focus better its efforts to live up to its role of key donor in the Kyrgyz Republic. A reputational risk for the Bank is involved, which I do not find addressed in this CAS.