



Economic development in Kyrgyzstan

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Question

What are the recent key documents on economic development, and the role of governance for economic growth in Kyrgyzstan?

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1. Summary

Kyrgyzstan is a lower middle-income country with a small economy dominated by minerals extraction, agriculture, and reliance on remittances from citizens working abroad. Kyrgyzstan has taken large strides since gaining independence in 1991. Overall, the macroeconomic context in Kyrgyzstan is improving, however, its openness to trade and its reliance on its neighbours (in particular Russia) leaves it vulnerable to events outside its borders (OECD, 2018). In recent years, Kyrgyzstan has maintained a strong development agenda to reduce poverty through inclusive economic growth. This annotated bibliography looks at key documents published since 2014 relating to economic development in Kyrgyzstan. For each resource, a couple of brief paragraphs describe the document including its methodology (where available) and main findings. Then recommendations from the document are highlighted, and any limitations of the report (such as relating to data collection, analysis or findings) are highlighted if stated. A number of further resources have been flagged as footnotes and in the key websites section.

The literature was dominated by grey literature, especially reports and working papers from the large international financial institutions, such as the Asian Development Bank (ADB) and the World Bank, and UN agencies. Recent peer reviewed literature and empirical evidence was scarcer. Although some academic papers were found, most looked at entrepreneurship and business development and none were explicitly about good governance. Many of the reports did not include limitations or discuss the methodology in detail.

A number of general themes emerge from the literature:

- **Uneven access to economic opportunities and entrepreneurship development:** need to create attractive business environments for private sector investment and entrepreneurship across the country to increase the ability of all groups to access these opportunities (ADB, 2014; Brück et al, 2018; ILO, 2016; Rudaz, 2017).
- **Issues of governance and rule of law:** issues of good governance, political stability and corruption and their impact on the business environment and sustainability of the public sector, e.g. energy, social protection (ADB, 2014; 2018; Gassner et al, 2017; ILO, 2016).
- **Limited access to finance and financial literacy:** there is an urgent need for consolidated efforts improve geographical penetration of financial products, increase financial inclusion, and accessibility of finance to small and medium-sized enterprises and women (ADB, 2014; Hasanova, 2018; ILO, 2016; Kumar et al, 2018; O'Connell & Kiparisov, 2018; UNDP, 2016).
- **Shortage of skilled labour and uneven access to quality education:** need to improve the quality of education and its relevance to the labour market and strengthen skills through education and training (ADB, 2014; 2018: Choi et al, 2016; ILO, 2016; Keneshbekovna, 2014). Important to broaden political education of women to increase political awareness of gender inequality (UNDP, 2016).
- **Poor connectivity, ICT and information sharing:** key obstacle to further development has been the lack of advanced business facilities, including poor connectivity. Reforms to digitise the economy need to be accelerated (ADB, 2018; Keneshbekovna, 2014).
- **Increasingly unreliable electricity supply:** ongoing reform efforts of the Government of Kyrgyzstan in the energy sector, but a number of challenges remain: inadequate supply reliability and poor quality of service; fragile financial condition; and concerns about affordability and willingness to pay (ADB, 2014; Gassner et al, 2017; ILO, 2016).

- **Social protection reform:** Kyrgyzstan spends more on social protection than any other item of public expenditure, but the benefits reach mainly the elderly. Social protection is a priority of public policy reform (ILO, 2017; OECD, 2018).
- **Use of remittances:** remittances play a key role in supporting income and GDP growth, but also present challenges by exposing Kyrgyzstan to external risks (Dubashov et al, 2017; IMF, 2018). Need to manage the consequences and reinforce the positive effects of migration through good governance (Kumar et al, 2018).
- **Accession to the Eurasian Economic Union:** this presents both opportunities and challenges, and will most likely impact on agriculture, services, and garments sectors (Choi et al, 2016). Impacts may also be negative (Mogilevskii et al, 2018).
- **Informal sector:** this is pervasive in Kyrgyzstan and presents a challenge to structural reforms and financial inclusion (Hasanova, 2018; ILO, 2017; OECD, 2018).

2. Economic development in Kyrgyzstan^{1,2}

General economic development³

Dubashov, B., Kruse, A., & Ismailakhunova, S. (2017). *Kyrgyz Republic Economic Update No. 6, Fall/Winter 2017: A Robust Recovery with Underlying Weaknesses*. Washington, D.C.: World Bank. <https://openknowledge.worldbank.org/handle/10986/29261>

This edition of the Kyrgyzstan Country Economic Update (CEU) is part of a semi-annual series designed to monitor socio-economic developments in Kyrgyzstan. The first part of the Economic Update analyses recent macroeconomic trends and presents an assessment of the country's

¹ Resources on Government of Kyrgyzstan strategies on sustainable development: (i) **National Council for Sustainable Development of the Kyrgyz Republic. (2013). *National Sustainable Development Strategy for the Kyrgyz Republic: For the period of 2013-2017*. Government of Kyrgyzstan: Bishkek. http://www.unpei.org/sites/default/files/e_library_documents/Kyrgyzstan_National_Sustainable_Development_Strategy_english.pdf**: This was the strategic vision document outlining key priorities in political, economic and social development. (ii) ***The National Sustainable Development Strategy for the period up to 2040*** sets out the country's development vision. This has been developed followed by a wide national consultations process. The Strategy 2040 sets forth three main priorities: a) economic well-being of the people; b) social welfare; and c) security and favourable environment for lives of citizens. This is not yet publically available. (iii) **"Unity. Trust. Creation"** is the **medium-term strategy on sustainable development of the Government of the Kyrgyz Republic for 2018-2022**. The Programme sets forth key development priorities for Kyrgyzstan in the implementation of 2040 strategy in the coming five years. It is not yet publically available.

² Further resource on sustainable development: **World Bank. (2017). *Systematic Country Diagnostic: From Vulnerability to Prosperity: Kyrgyz Republic*. Washington, D.C.: World Bank Group**: The purpose of this Systematic Country Diagnostic is to identify the main constraints and opportunities Kyrgyzstan faces in continuing to progress towards the World Bank's Twin Goals of eliminating extreme poverty by 2030 and boosting shared prosperity, measured as the income of the bottom 40 percent in any given country. The report analyses trends and drivers of growth, poverty reduction, and income distribution, as well as the policies that underpin them, while assessing the elements constraining more rapid progress and sustainability. It has not yet been publically released and so was not included in the main body of this bibliography.

³ Further resources on: (i) Sustainable development: **GIZ Promotion of Sustainable Economic Development in Kyrgyzstan** <https://www.giz.de/en/worldwide/15310.html> and https://www.giz.de/en/downloads/giz2017-10-13_Factsheet-ENG.pdf (ii) Corruption, accountability and transparency: **Transparency international Country Profile: Kyrgyzstan** <https://www.transparency.org/country/KGZ> (iii) Economic growth: **USAID in Kyrgyzstan** <https://www.usaid.gov/kyrgyz-republic>.

short- and medium-term outlook. Each edition includes a Special Focus Section highlighting a certain topic; in this edition, it discusses recent trends in labour migration and the implications of remittance dependence for macroeconomic policies in Kyrgyzstan.

Kyrgyzstan has rich endowments in agriculture, hydropower, and tourism. The Kyrgyz economy is vulnerable to external shocks owing to its reliance on one gold mine, Kumtor, which accounts for about 10% of GDP, and on worker remittances. The Kyrgyz economy appears to have recovered from the 2014-2015 external shocks. Over the first nine months of 2017, real Gross Domestic Product (GDP) expanded by 5%, year-on-year, thanks to improvements in the external environment and a continued expansionary fiscal policy, which were mirrored by a strong gold production and a strengthening in domestic demand. The Kyrgyz economy performed robustly over 2017. Macroeconomic policies were supportive to growth, but the fiscal stance has deteriorated significantly and inflation has tilted upwards. Growth is estimated to have decelerated toward the end of 2017, but is expected to pick up in 2018.

Challenges and recommendations

The special focus of the CEU highlights that remittances played a key role in supporting income and GDP growth, but they may also have had undesirable effects. The Kyrgyzstan economy is expected to remain dependent on remittances. Private inflows will continue to support household incomes and boost domestic demand, but they also come with challenges:

- Large remittances inflows can undermine the country's competitiveness through a phenomenon similar to "Dutch Disease", in which the impulse of foreign exchange inflows into domestic demand can generate a significant real exchange rate appreciation, unless macroeconomic policies play a countercyclical role.
- Some characteristic symptoms of a Dutch Disease-type of episode have been observed: loss in competitiveness through real exchange rate appreciation and a tilt in production structure favouring non-tradeables/services and commodity exports; exports have become more concentrated.
- The high dependence on remittances heavily exposes the country to external shocks.

The special focus section of the CEU makes the following recommendations:

- Managing the consequences and reinforcing the positive effects of migration are the main policy challenges. The range of policy options includes cyclical / macro actions, structural policies to ensure asset diversification and to build the resilience of the economy, as well as targeted initiatives to leverage remittances for investment.
- Improvements in the investment climate is the most effective solution in the long run.
- An alternative to system-wide reform of the financial sector in mobilising remittances via community programmes, typically for local infrastructure projects and micro-entrepreneurship and savings.

Limitations of the report

The report does not highlight any limitations and nor does it mention its methodology. This edition is part of a semi-annual series designed to monitor socio-economic developments.

International Monetary Fund. (2018). *Kyrgyz Republic: Fourth and Fifth Reviews under the Three-Year Arrangements under the Extended Credit Facility, and Request for Modification of Performance Criteria-Press Release; Staff Report*. International Monetary Fund, Middle East and Central Asia Department. Country Report No. 15/53.

<http://www.imf.org/en/Publications/CR/Issues/2018/02/22/Kyrgyz-Republic-Fourth-and-Fifth-Reviews-under-the-Three-Year-Arrangements-under-the-45651>

On December 15 2017, the Executive Board of the International Monetary Fund (IMF) completed the fourth and fifth reviews of Kyrgyzstan's economic performance under the three-year Extended Credit Facility (ECF) arrangement. As well as the staff report, this IMF package also includes an informational annex prepared by IMF staff and touching on: the impact of tightened border control with Kazakhstan; potential benefits from opening-up of relations with Uzbekistan; Kyrgyz development strategies; review of poverty reduction strategy implementation; and female labour force participation in Kyrgyzstan. A Debt Sustainability Analysis Update is also included, prepared by the staffs of the IMF and International Development Association.

The reviews find that a moderate economic recovery is underway, driven by higher gold production, remittances, and growth in key trading partners. The recent tightening of controls on the border with Kazakhstan will have some limited impact on the economy this year but could weaken trade and growth substantially if it persists. Inflation is normalising with the rise of food prices. The banking sector is showing signs of recovery, but vulnerabilities remain. The October elections slowed reforms and put additional pressure on the budget, although the government has since taken offsetting measures. Public debt remains at moderate risk of distress, helped by some appreciation.

Risks and recommendations

The review highlights the following risks and recommendations:

- Resuming the reform agenda and pursuing consolidation efforts are essential to allow growth to reach its potential over the medium term.
- While the near-term outlook is improving, risks remain tilted to the downside amid the still fragile regional recovery.
- Growth is expected to rise toward its potential over the medium term, provided macroeconomic stability is maintained and structural reforms are pursued vigorously.
- These policy efforts are also key to rebuilding buffers against future shocks.

Limitations of the report

The Staff Report prepared by a staff team of the IMF for the Executive Board's consideration on December 15 2017, following discussions that ended on November 8 2017, with the officials of Kyrgyzstan on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on December 4 2017. The package does not include detailed information on methodology or limitations.

Inclusive growth/green economy⁴

Asian Development Bank (ADB). (2014). *The Kyrgyz Republic: Strategic assessment of the economy – Promoting inclusive growth*. Mandaluyong City, Philippines: Asian Development Bank. <https://www.adb.org/sites/default/files/publication/151697/kyrgyz-republic-strategic-assessment-economy.pdf>

This report is part of an Asian Development Bank (ADB) policy and advisory technical assistance project, Support for Strategic Assessment of the Kyrgyz Economy to Promote Inclusive Economic Growth, which was launched in 2012. The report identifies strategic priority measures to promote inclusive growth by examining the factors constraining the growth of economic opportunities and the “inclusiveness of growth,” or the ability of all groups to access these opportunities. It uses the Hausmann, Rodrik, and Velasco (2005) decision-tree approach, which focuses on the constraints to private investment and entrepreneurship, as a starting point. An adaptation of this framework extends the analysis to identify the factors restricting the “inclusiveness of growth”. The analysis is based on close examination of empirical evidence, including bench-marking, and was informed by discussions with stakeholders around the country.

Kyrgyzstan was one of the first former Soviet republics to implement economic reforms and move toward a market-based economy. In 2010, the country adopted a new constitution and became a parliamentary democracy. Yet there have been many gaps between theory and implementation, and a number of underlying structural issues persist. Frustration with slow, unstable economic growth and economic disparities are among the causes of social discontent and political unrest, which are considered the main risks to the economy. Reviving inclusive, stable, and sustainable economic growth is a priority for the Government of Kyrgyzstan.

Challenges and recommendations

Challenges to inclusive growth and recommendations to remove these were identified as:

- Uneven access to economic opportunities: create attractive environments for private sector investment and entrepreneurship across the country; reform the education system.
- Weak governance and lack of rule of law: implement existing anti-corruption programmes by ensuring that the laws in place are enforced uniformly and equally across society, and that there is right balance between prosecution and prevention; support anti-corruption strategy and programmes through a well-designed community monitoring programme.
- Limited access to finance: expand the deposit-taking capacity of microfinance institutions to improve the rural population’s access to financial services and help deepen the finance sector.
- Shortage of skilled labour and uneven access to quality education: improve the quality of education and its relevance to the labour market; the need to improve the education

⁴ Further resources on green economy: *Pathways for Action on Green Economy (PAGE) (2017). Pathways for Action on Green Economy (PAGE) Annual Report 2017: Kyrgyz Republic*. <https://2017.page-annual-report.org/kyrgyz-republic/>; In 2017, PAGE initiated a green economy learning needs assessment in Kyrgyzstan to identify knowledge and skills gaps. PAGE also developed a *Kyrgyz Republic Stocktaking Report (Russian)* in 2017; however, this report is only available in Russian. The report outlines the country’s macro-economic performance, opportunities for sectoral reforms, innovation strategies, and regulatory frameworks.

system has been recognised in government strategies but implementation is key; technical vocational education and training require urgent attention.

- Increasingly unreliable electricity supply: to avoid a collapse of the energy system and make supply more reliable, three measures have to be implemented: (i) accelerate power sector reform, (ii) prioritise rehabilitation of critical power assets, and (iii) introduce energy-efficiency measures to slow down the increase in power consumption. In addition, management of the six energy companies needs to be enhanced.

Limitations of the report

The methodology and limitations were not discussed in detail. Most of the research for this report was conducted in 2012. It used growth diagnostics as a framework for the research and analysis presented, comprising three elements:

- (i) growth diagnostics, which informs the analysis of the main reasons for less-than-optimal growth;
- (ii) diagnostics for inclusiveness, which is based on the view that not only the amount of growth is important, but also the ability to spread the benefits to the whole population, especially the poor; and
- (iii) bench-marking, which in this report involves comparisons between the performance of Kyrgyzstan in various statistics, surveys, and indexes with those of bench-mark countries that offer meaningful points of reference.

Rudaz, P. (2017). *The State of MSME development in Kyrgyzstan*. UNCTAD Working Paper Series on Informal Markets and Trade, No.3.

http://www.academia.edu/32318239/The_State_of_MSME_Development_in_Kyrgyzstan

This UNCTAD Working Paper Series is produced by the Project on Informal Markets and Trade. Empirically based studies on entrepreneurship in transition states remain limited, specifically on the Caucasus and Central Asia. This paper seeks to address this knowledge gap and lays the groundwork for a study on entrepreneurship in Kyrgyzstan. It will serve as a foundation for future research on barriers and opportunities that “globalisation from below” – based on transnational linkages instead state regulation – present to entrepreneurs in Central Asia and the Caucasus.

Based on data from the National Statistical Committee of Kyrgyzstan, the research examines the contribution of self-employed, micro, small and mid-sized enterprises (MSMEs) to the Kyrgyz economy and aims to clear the path for further investigation on the potential of informal entrepreneurship. The data reveals that the number of self-employed persons increased after 2000, but this trend was not followed by MSMEs. Moreover, the share of contribution of the self-employed, and of the MSMEs, to the Kyrgyz GDP has remained stable. This indicates that these categories did not become more productive as the Kyrgyz GDP grew by an average of 4.4% since 2000. This has significant consequences for Kyrgyzstan’s political stability. The author speculates that the bottom-up development of a diversified economy has not yet taken place.

Key findings

Key findings and conclusions from the study include:

- Small and mid-sized firms are concentrated in Bishkek, potentially reinforcing the regional welfare disparities. On the other hand, the number of individual entrepreneurs

and peasant farmers has steadily grown, but their productivity, according to official statistics, does not follow the same pattern.

- Official data on the MSME sector show a stagnating sector while self-employed (necessity-based) entrepreneurial activities have grown.
- This calls for further investigation in the relationship between survival strategies and the opportunity-based entrepreneurial activities. The literature cited in the introduction of the working paper considers informal networks as a resource for entrepreneurial venture. Thus, further investigation could focus on the role of informal networks. They might be a resource for survival, and an asset for certain entrepreneurial venture, such as migration and trading, but might not provide the ingredients micro enterprises need to grow

Limitations of the report

The report does not highlight any limitations and nor does it mention its methodology in detail.

OECD. (2018). *Social Protection System Review of Kyrgyzstan*. OECD Development Pathways, Paris: OECD. <http://www.oecd.org/dev/social-protection-system-review-of-kyrgyzstan-9789264302273-en.htm>

This review explores ways by which social protection in Kyrgyzstan can be enhanced through a systemic approach. The Government of Kyrgyzstan has committed to systematising social protection in recent social protection strategies; this review intends to support the government in realising its new vision by presenting a broad vision of the sector and improving the evidence base needed for reforms to establish a coherent, sustainable and effective set of programmes. The review was prepared by the Social Cohesion Unit of OECD Development Centre as part of the European Union social Protection Systems Programme, and is the result of collaboration between the OECD and senior government officials, researchers and civil society representatives.

According to this review, Kyrgyzstan spends more on social protection than any other item of public expenditure, but the benefits reach mainly the elderly. Social protection is at the heart of Kyrgyzstan's development and is a priority of public policy. Kyrgyzstan has succeeded in maintaining the entitlements dating from the Soviet era while introducing programmes appropriate for its transition to a market economy. However, severe fiscal constraints have limited the coverage of these new arrangements and their capacity to adapt to challenges such as poverty, pervasive informality and emigration. Accelerating the decline in poverty and capitalising on the potential of social protection to deliver long-term gains in productivity and well-being require a restructuring of social protection based on a systems approach.

Recommendations

Broad highlights from the review include:

- Social protection must align to changing needs in Kyrgyzstan
- Social assistance and labour market policies have less impact than social insurance
- Fiscal space for expanding social protection is limited
- Rebalance social protection through a systemic approach

Broad recommendations include:

- Introduce a universal infant benefit as part of state benefit reform
- Reform and scale up social services
- Scale up public works programmes to revive labour market policies
- Establish a universal social pension based on the basic contributory pension and the Monthly Social Benefit
- Restructure the ministry of Labour and Social Development to enhance systematisation of non-contributory programmes and coordination across social protection sector
- Ensure functionality and sustainability of the Corporate Information System for Social Assistance (CISSA)
- Close equity gaps in access to health services

Limitations of the report

The report does not highlight any limitations and nor does it mention its methodology.

ILO. (2017). *Social Protection Assessment-Based National Dialogue. Towards a Nationally Defined Social Protection Floor in the Kyrgyz Republic*. ILO Decent Work Technical Support Team and Country Office for Eastern Europe and Central Asia. Moscow: ILO. http://www.ilo.org/wcmsp5/groups/public/---europe/---ro-geneva/---sro-moscow/documents/publication/wcms_623030.pdf

Between 2015 and 2017, ILO, in collaboration with the Ministry of Labour and Social Development and the United Nations agencies in Kyrgyzstan, assessed the social protection system in the country, which is called the Assessment-Based National Dialogue (ABND) on social protection. The main purpose of conducting the ABND was to analyse the present system compliance with the social protection floors and to formulate a set of policy recommendations by identifying the priorities of actions with mid/long-term perspective to improve the national social protection floor in Kyrgyzstan. This report provides a mapping and assessment of existing social security and social protection policies and programmes; identifies coverage gaps and implementation issues; develops priority scenarios to fill the gaps; presents a rapid costing exercise to estimate the costs for each scenario and policy recommendations to extend social protection to establish a national social protection floor. Despite implemented measures, the social protection system in Kyrgyzstan continues to remain as one of the lowest developed in the Commonwealth of Independent States (CIS) region. Therefore, Kyrgyzstan strives to make further improvements to extend social protection coverage and improve the system.

Challenges and recommendations

The assessment identified the following policy gaps and obstacles for implementing social protection floors in Kyrgyzstan:

- Low level of social payments
- Low quality of social services (including health care) and its limited access in mountainous regions
- No social security coverage of informal workers
- Social security evasion in the formal sector

- Limited linkage between social protection and social insurance schemes
- Lack of qualified social workers in rural regions.

From the assessment, the government, social partners and international organisations selected the following recommendations as the potential national actions in the field of social protection:

- **Health:** improving quality of healthcare services; increase staffing in the regions (in remote areas); extending the coverage of informal workers by compulsory health insurance; ensuring the access of vulnerable groups to health services.
- **Children:** increasing the level of monthly benefit to low income families with children; indexing survivor pension; extending the access of social services of alternative boarding; improving the social service system.
- **Working age:** developing the mechanism for formalising labour relations; increasing maternity benefits; extending maternity coverage to informal workers; increasing the unemployment benefit level.
- **Elderly:** increasing the pension level; developing alternative services (rehabilitation and day care centres, hospices) at the local level; increasing the monthly social old-age benefit; improving the social service system.

All high-level working group members agreed upon the following recommendations on social protection as the priorities for further actions:

- The main priorities: Increasing the pension level and increasing the monthly benefit to low income families with children
- Additional priorities: Improving the social service system and increasing the level of maternity benefit

Limitations of the report

Section 2 (pages 21-29) of the report gives detailed information on the objectives, methodology and process. The assessment process was based on a number of technical consultations with government organisations and institutions, workers' and employers' representatives at a national level, and the United Nations agencies located in Kyrgyzstan. The assessment followed three steps: (1) preparation of an ABND matrix, (2) converting recommendations into optimal policy options and costing, (3) finalisation of the findings and submission of report to the government.

Financial inclusion and literacy

Hasanova, S. (2018). *Financial Inclusion, Financial Regulation, Financial Literacy, and Financial Education in the Kyrgyz Republic*. ADBI Working Paper 850. Tokyo: Asian Development Bank Institute. <https://www.adb.org/publications/financial-inclusion-regulation-literacy-education-kyrgyz-republic>

This paper provides an overview of the financial sector in Kyrgyzstan, recent trends in its development, and discusses vulnerabilities and perspectives of the banking and microfinance sector. The paper also discusses the status of financial inclusion, penetration of financial products, and accessibility of finance to small and medium-sized enterprises (SMEs). Among others, the paper gives special focus to financial literacy and financial education and discusses some policies to promote financial inclusion in Kyrgyzstan. Kyrgyzstan first introduced financial

inclusion in 2010, but income inequality remains substantial and access to financial services restricted. The analysis suggests an urgent need for consolidated efforts to include more people and businesses into financial activities, mobilise their savings, and improve access to credit.

Barriers and recommendations

The paper highlights some of the key barriers to financial inclusion in Kyrgyzstan as being:

- Lack of institutional capacity.
- The large informal sector.
- High level of corruption, political instability, lack of political will, and continuity of reforms.
- Lack of financial literacy and insufficient knowledge of business processes.
- The population's low level of trust in the financial system and governance institutions.
- Access to financial services differs across regions, especially rural versus urban areas.
- SMEs face a number of barriers in getting sufficient finance: lack of collateral, weak regulatory frameworks, few other alternatives for financing start-ups, young SMEs, and lack of long-term finance.

Some of the recommendations presented by the paper for improved financial inclusion in Kyrgyzstan include:

- Financial inclusion should become part of the government's strategy, which should aim to increase the level of involvement of the population in economic activities, improve access to SME finance, and create opportunities for inclusive growth.
- The strategy should have a component for spreading the complex knowledge about financial institutions and markets to encourage the population to make formal savings and to invest in financial instruments.
- Financial inclusion needs efforts on financial literacy at all levels of secondary, graduate, and postgraduate education.
- Financial literacy should be positioned in the day-to-day efforts of all society levels, media, and financial intermediaries.
- Efforts to provide financial education and promote a culture of formal saving among remittances recipients are necessary to mobilise this huge amount of money.
- The government should develop state programmes for women entrepreneurship development and for SMEs development.
- The government should establish a State SME development fund, or transform the existing Entrepreneurship Development Fund into non-profit company in order to provide cheap SME finance. Given the importance of collateral issues, it is necessary to consider broad introduction of alternative collateral instruments.
- Policies to promote financial inclusion must be in line with the proclamation by the government of a path toward digitisation of the economy.

Limitations of the report

Limitations of the report are not explicitly discussed or highlighted. ADBI working papers are subject to formal revision and correction before they are finalised and considered published. The

ADB's Working Paper series is a continuation of the formerly named Discussion Paper series. ADB's working papers reflect initial ideas on a topic and are posted online for discussion.

Kumar, R.R., Stauvermann, P.J., Patel, A. & Prasad, S. (2018). 'The Effect of Remittances on Economic Growth in Kyrgyzstan and Macedonia: Accounting for Financial Development'. *International Migration*, 56(1), 95-126. <https://doi.org/10.1111/imig.12372>

Kyrgyzstan and Macedonia have experienced a reasonable increase in remittances over the last 25 years. Subsequently, the extent to which remittances can be instrumental for economic development of the two countries has gained much attention in recent development dialogues. The aim of this study is to examine the impact of remittances versus financial development on the economic growth of the two countries, an area that is not well studied. The short-run and the long-run effects and the causality dynamics of remittances and financial development, are explored. The results show a long-run positive impact of remittances on the economic growth of these countries. The impact of financial development is negative, significant only for Kyrgyzstan. The causality results show that remittances support economic growth for Kyrgyzstan, whereas economic growth appears to propel remittances for Macedonia.

Recommendations

The authors make the following policy recommendations for Kyrgyzstan:

- Kyrgyzstan has to improve political stability and eradicate corruption, as the highest priority, in order for all other well-intentioned economic reforms to be pertinent.
- The overall business climate needs to be improved.
- Good governance practices need to be applied to improve financial sector development and the positive effect of remittances.
- Use of mobile phones and extension of mobile banking can be a cost efficient strategy to increase the access to financial services. Banks and microfinance institutions can lead the way, and ultimately reduce the share of cash in the broad money due to demands of the informal sector.
- It is imperative that the trust of Kyrgyz citizens in the political and financial system is improved to ensure a broad-based economic development.

Limitations of the report

The study uses the augmented Solow (1956) framework and the autoregressive distributed lag (ARDL) bounds procedure whilst accounting for structural break in series. The sample period is from 1990 to 2015 as consistent data is available. The paper provides a detailed methodology, found on pages 102-107. However, the paper does not highlight limitations in the methodology.

Eurasian Economic Union

Choi, J., Saez, J.S., Portugal Perez, L.A., Myburgh, A.C., Van Der Marel, E.L., Molinuevo, M., Costantino, L., Tynaev, N., Osavoliuk, S., & Pasheva, V. (2016). *Competitiveness of the Kyrgyz economy in the wake of accession to the Eurasian Customs Union: selected issues and opportunities*. Washington, D.C.: World Bank Group. <http://documents.worldbank.org/curated/en/174451467999117922/Competitiveness-of-the>

Kyrgyz-economy-in-the-wake-of-accession-to-the-Eurasian-Customs-Union-selected-issues-and-opportunities

In May 2015, Kyrgyzstan became a member of the Eurasian Customs Union (CU), comprising Russia, Kazakhstan, Belarus, and Armenia; it also joined the Common Economic Space (CES), which introduced free movement of goods, services, capital, and labour between members in 2012. The two agreements form the basis of the Eurasian Economic Union, an area of free flow of labour and goods between the five member countries. In September 2014, the Ministry of Economy of Kyrgyzstan Republic sent a letter requesting the support of development partners, including the World Bank Group, on a wide range of CU and CES accession activities. The World Bank team prioritised deep-dive analyses on the four chapters of this report that they believed will help Kyrgyzstan capture the medium- and long-term benefits of the CU while mitigating the short-term adaptation challenges. This report therefore explores the sectors that will be instrumental for positive CU impact and competitiveness in the medium term.

Agriculture, services, and garments are a large and growing share of exports and are the sectors most likely to be transformed by accession to the CU and the increased tariffs to countries outside the Eurasian Economic Union. The report also analyses the challenges related to adapting to CU quality standards and technical regulations. A few themes emerge from the analyses of the four topics presented in this document: trade and competitiveness in the services and garments sectors, implications for food safety and agricultural exports, as well as the more general discussion of the national quality infrastructure.

Challenges and recommendations

Joining the CU presents both challenges that will require adjustments in the short-term, as well as challenges that will call for ongoing commitment for building capacity and systems. Membership in the CU also presents opportunities to improve the competitiveness of Kyrgyzstan. The report provided a summary table of these challenges and recommendations to overcome them, which is presented on the next page.

Limitations of the report

The report is produced in four sections, each section looks at a different priority area. The section analysing the services trade in Kyrgyzstan uses the analytical model proposed in Sáez et al. (2014), which provides for integrated analysis and diagnostics of the trade competitiveness of the services sector using a wide range of indicators. Cross-country comparisons are based on World Development Indicators, other publicly available World Bank data, the Export in Value-Added database and the Trade in Services database. The Export in Value-Added database measures trade on a value-added basis based on national input-output tables from the Global Trade Analysis Project (GATP). The GTAP database represents the most comprehensive, convenient, and internationally-comparable source of sector-specific data across countries. Limitations of the GTAP data include infrequency of updates and the fact that some input-output data may be adjusted to provide consistency with merchandise trade and macroeconomic data. Therefore, results should be interpreted cautiously and should be seen as a first attempt to understand trade performance in developing countries. For the Trade in Services database, the World Bank merged and reconciled all available sources of data from the OECD, Eurostat, the UN, and the IMF to create a database on bilateral services trade. By mirroring flows, it provides a best available estimate of bilateral flows and their evolution in recent years for 200 countries. The other three chapter areas do not go into detail on their methodology or data sources.

Summary table of challenges and recommendations

	Short-term challenges	Longer-term adaptation	Longer-term opportunities	Implementation implications
The Kyrgyz National Quality Infrastructure (NQI)	<ul style="list-style-type: none"> • Upgrade border infrastructure and other priority equipment • Reinforce capacity (invest in calibration, metrology, and accreditation to retain ILAC recognition) 	<ul style="list-style-type: none"> • Equip and strengthen laboratories • Mandate Hazard Analysis and Critical Control Points (HACCP) system and develop inspection capabilities; support implementation of HACCP by private sector • Facilitate SME integration into the CU (e.g., training programmes and guides, online information portal, help desk) • Identify and promote niche export opportunities 	<ul style="list-style-type: none"> • Provide NQI services to other CIS countries, including future CU accession countries • Continue support to the domestic NQI, at both infrastructural and institutional levels 	<ul style="list-style-type: none"> • Deploy concrete awareness campaigns on opportunities and implications of CU for local SMEs
Food safety, agri-exports	<ul style="list-style-type: none"> • Capture the opportunity for export of unprocessed products to Russia following EU import ban • Harmonise technical regulations for largest export categories 	<ul style="list-style-type: none"> • Implement HACCP system, including establishing the institutional environment and building capacity in the private sector 	<ul style="list-style-type: none"> • Transition toward higher value-added food products, especially niche products for the Russian market • Capitalise on position within CU as well as relative alignment with international standards to participate not only in CU market but also in EU and other international markets 	<ul style="list-style-type: none"> • Assess competitiveness and prioritise technical regulations harmonisation for export categories likely to benefit from CU accession in the short term • Establish public-private partnerships overseeing the HACCP system to ensure support from a regulatory perspective, as well continued capacity building and enforcement in the private sector

<p>Services</p>	<ul style="list-style-type: none"> Adapt to the decrease in employment in the transport sector, and other services sectors affected by the collapse in re-exports CU requirements for customs representatives 	<ul style="list-style-type: none"> Reduce restrictions that affect connectivity to the world, especially in air transport and rail freight transport 	<ul style="list-style-type: none"> Nurture a services environment that supports manufacturing: activities that serve manufacturing firms can be outsourced and professionalised (e.g., transportation, logistics) Move to higher value-added services (e.g., business services with linkages to other sectors) to capitalise on existing favourable factors (human capital, geographic advantage, internet penetration) 	<ul style="list-style-type: none"> Incorporate services trade development among policy priorities Seek technical assistance to improve internationalisation of services through negotiations, expertise in services policy reform, regulatory matters, and enforcement. Build expertise and knowledge in services policy reform (general and sector specific)
<p>Garments</p>	<ul style="list-style-type: none"> Adapt to increase in production costs due to 3.6 to 7.7% increase in external tariffs 	<ul style="list-style-type: none"> Expand trade promotion programmes Strengthen skills through education and training Increase new equipment adoption (requires education about new equipment but also financing) 	<ul style="list-style-type: none"> Proximity to market, knowledge of niche market demand Sector has the potential to be a stepping stone to higher value-added activities (easy to diversify from garments) 	<ul style="list-style-type: none"> Establish public-private partnerships to ensure continuity, retain institutional knowledge, and make it easier to scale up programmes that improve the sector's competitiveness Leverage industry associations and cooperation between firms – include industry representatives in governance Improve coordination of funding between public, private, and donor funders at the sector level

Source: Choi et al, 2016: p.14-15

Mogilevskii, R., Thurlow, J. & Ye, A. (2018). *Kyrgyzstan's Accession to the Eurasian Economic Union: Measuring Economy-Wide Impacts and Uncertainties*. Institute of Public Policy and Administration, Working Paper No.44, 2018. University of Central Asia.
<https://www.ucentralasia.org/Resources/Item/1605>

The Institute of Public Policy and Administration's Working Papers is a peer-reviewed series that publishes on a broad range of topics dealing with social and economic issues, public policy and public administration in relation to Central Asia. Joining the Eurasian Economic Union (EEU) has major economic implications for Kyrgyzstan. The study highlights how most EEU studies overlook Kyrgyzstan or focus on specific impact channels, such as changes in tariffs, migration or re-exporting. The authors use a computable general equilibrium model to estimate the net impact of multiple channels. The results indicate that accession is expected to reduce national welfare, because falling profits from re-exporting outweigh higher migrant remittances and tariff revenues. There is, however, a one-in-four chance that national welfare increases, as well as a strong likelihood that poor households benefit from accession. Achieving these gains depends on the successful integration of regional labour markets, not just product markets, and on the proposed Russia-Kyrgyzstan Development Fund.

Conclusions

The authors conclude that:

- Joining the EEU is likely to have an adverse effect on the Kyrgyz economy, with declines in national production and welfare. This is mainly due to reductions in the unrecorded profits earned from re-exporting Chinese goods into Russia and Kazakhstan.
- These profits are expected to decline once Kyrgyzstan adopts the EEU's tariff rates and customs procedures.
- The effects of falling re-export profits outweigh the expected gains from increased migration and remittances as well as the windfall gains from the EEU's favourable revenue-sharing formula.
- They also find that the economic losses from adopting the EEU's higher tariffs are small, except insofar as these contribute to the decline in the unrecorded re-export business.

Limitations of the report

A single-country computable general equilibrium model is used to separately and jointly evaluate three of the four major impact channels investigated in this report, i.e., changes in import tariffs, migrant remittances, and unrecorded re-exports. By estimating their net economic impact, the analysis also informs the required level of compensation from the Russian-Kyrgyzstan Development Fund, the fourth impact channel explored. Given the high degree of uncertainty surrounding the magnitude of each channel's impacts, the authors adopt a stochastic simulation procedure that randomly draws combinations of impacts from empirically-informed distributions. This approach to addressing uncertainty leads to weighted distributions of potential economy-wide impacts. The authors note that the model provides a medium-term assessment of impacts and uncertainty – it does not capture cyclical phenomena. Hence, the authors highlight two important caveats for their analysis. Firstly, they assumed that there is sufficient demand in Russia to absorb new Kyrgyz migrants. This may not be the case, however, especially if there is a *persistent* economic downturn in Russia. Secondly, Kyrgyzstan's unrecorded re-export trade may have started declining prior to EEU accession; therefore, they may have overstated the

extent of the contraction of this particular business attributable to Kyrgyzstan joining the EEU. The paper gives detailed information on the economic-wide model in section 4, pages 12-15, including a section on simulating impact channels under uncertainty (pages 13-15).

Supporting businesses⁵

ADB. (2018). *Asian Development Outlook 2018: How Technology Affects Jobs*. Manila: Asian Development Bank.^{6,7}

<https://www.adb.org/sites/default/files/publication/411666/ado2018.pdf>

The Asian Development Outlook is an annual publication produced by the ADB that analyses economic and development issues in developing countries in Asia. This includes forecasting the inflation and GDP growth rates of countries throughout the region. This year's publication draws attention to opportunities and concerns presented by new technologies in the workplace. For Kyrgyzstan the report highlights that growth improved to 4.6% from 4.3% in 2016, reflecting gains in industry, along with higher government spending and remittance earnings. Inflation accelerated to 3.2%, and the current account deficit narrowed to 4.8% of GDP from 11.6% in 2016. Growth is projected to moderate to 3.5% in 2018 before recovering to 4.0% in 2019. The government is promoting economic diversification through digitalisation.

Conclusions and recommendations

The Asian Development Outlook 2018 made the following recommendations for Kyrgyzstan to promote diversification of its employment sector through digitalisation:

- A key obstacle to further development has been the country's lack of advanced business facilities, including poor connectivity. To respond to these challenges, the government

⁵ Further resource on supporting business: **World Bank. (2017). *Doing Business 2018: reforming to create jobs - Kyrgyz Republic*. Doing Business 2018. Washington, D.C.: World Bank Group.** <http://documents.worldbank.org/curated/en/596381510036707125/Doing-Business-2018-reforming-to-create-jobs-Kyrgyz-Republic>: Doing Business 2018 is the 15th in a series of annual reports investigating the regulations that enhance business activity and those that constrain it in Kyrgyzstan. Doing Business presents quantitative indicators on business regulation and the protection of property rights that can be compared across 190 economies; for 2018, Kyrgyz Republic ranks 77.

⁶ Further resource on recent economic developments: The IMF produces a **Regional Economic Outlook Update report for Central Asia**; the most recent was released in May 2018. These reports discuss recent economic developments, discuss key challenges faced by policymakers, and provide country-specific analysis.

⁷ Further resources on ADB: (i) **ADB. (2013). *Kyrgyz Republic: Country Partnership Strategy (2013-2017)*. Manila: Asian Development Bank.** <https://www.adb.org/documents/kyrgyz-republic-country-partnership-strategy-2013-2017>: The country partnership strategy (CPS) 2013–2017, defines ADB's strategic approach in Kyrgyzstan and is aligned with ADB's Strategy 2020, the country's own development strategy, and ADB's comparative strengths, and complements efforts by its development partners. The overarching goal of the strategy is poverty reduction through inclusive economic growth. A new CPS for 2018–2022 is being developed.

(ii) **ADB. (2017). *Kyrgyz Republic: Country Operations Business Plan (2018–2020)*. Manila: Asian Development Bank.** <https://www.adb.org/documents/kyrgyz-republic-country-operations-business-plan-2018-2020>: The strategic thrust of the country operations business plan (COBP) 2018–2020 remains aligned with the priorities of the CPS 2013–2017, but the pipeline for 2019–2020 will be reviewed once the new CPS, 2018–2022 is endorsed. ADB will continue to support: (a) public sector management for private sector development; (b) transport and logistics; (c) the energy sector; (d) education and training; and (e) water supply and sanitation.

introduced the Taza Koom programme of support for sustainable development through digitalisation and innovation.

- The Taza Koom programme has the potential to advance diversification through digitalisation; additional measures would help achieve this goal.
- Accelerate reform to improve the business climate by addressing problems with contract enforcement, reliable electricity supply, resolving insolvency, and paying taxes.
- Improve the management of public investment, encourage private investors to fill supply gaps in infrastructure for energy and other areas, and increase job training so that workers can satisfy the skills requirements of new jobs.
- Reform to trade policies that would maximise benefits from preferential arrangements accorded by Kyrgyzstan's trading partners.

Limitations of the report

The report does not highlight any limitations and nor does it mention its methodology in detail.

Brück, T., Mahe, C. & Naudé, W. (2018). *Return Migration and Self-Employment: Evidence from Kyrgyzstan*, IZA Discussion Papers, No. 11332, Institute of Labor Economics (IZA), Bonn. <http://ftp.iza.org/dp11332.pdf>

The IZA Institute of Labour Economics is an independent economic research institute that conducts research in labour economics and offers evidence-based policy advice on labour market issues. A common finding of the migration literature is that migrants are more likely to choose self-employment upon return to their origin countries than non-migrants. This has led to the belief that return migration stimulates entrepreneurship in source countries and hence supports economic development. This paper tests these assertions, drawing on the Life in Kyrgyzstan Study, a rich longitudinal data set from a transition economy with high levels of international temporary migration. They find that for return migrants, self-employment is often a temporary occupational choice, suggesting that self-employment serves as a 'parking lot'. In addition, they find evidence that return migrants who were self-employed before migrating are less likely to opt for self-employment on their return, implying that migration disrupts self-employment trajectories. Both findings cast doubt on the common narrative of return migration stimulating entrepreneurship and therefore economic development.

Conclusions and recommendations

The study has the following conclusions and recommendations:

- The finding that self-employment might be a temporary occupational choice suggests that the 'disruption' caused by migration may hinder an economy from benefiting entrepreneurially from the experience and resources migrants may accumulate abroad.
- In this case, the appropriate policy response is to improve the conditions for doing business in source countries.
- In a context of transition from planned to market economy, entrepreneurial success requires a mix of both microeconomic reform and macroeconomic and institutional stability and efficiency.
- The evidence from Kyrgyzstan suggests that temporary migration might substitute for an imperfect legal framework and weak financial markets. As such, support for formal

market-supporting institutions is advised if firms are to grow, and countries are to harness the entrepreneurial acumen migrants might have accumulated abroad.

Limitations of the report

IZA Discussion Papers often represent preliminary work and are circulated to encourage discussion; hence, they are provisional in character. The authors highlight that the impact of return migration on self-employment and entrepreneurship has been relatively neglected in the literature. More generally, the occupational stability of migrants is a topic about which relatively little empirical evidence has so far been gathered. Whether return migrants sustain their entrepreneurial activities has received even less attention in the literature.

The authors test their hypotheses using longitudinal data from Kyrgyzstan. The authors highlight several potential sources of endogeneity in their study: the dependence between the choice (state) and the duration in self-employment, i.e. dynamics, should be taken into account; time-invariant effects, inducing omitted variable bias, have to be controlled for; need to account for time-varying effects, i.e. reverse causality. Migrating and accumulating resources during migration might be influenced by the perception of profitable investment opportunities in origin communities. The study runs a series of nonlinear probability models as their estimation strategy to test their hypotheses and deal with these challenges (more detail is given in section 3, p.4 of the paper). The study used data from the Life in Kyrgyzstan Study (LiK), a multi-topic longitudinal survey carried out annually from 2010 to 2013 in Kyrgyzstan, tracking the same households over time in all seven regions (oblasts) and the two major cities, Bishkek and Osh. Data were collected once a year around October-November, although there were a few deviations in dates of field works in each wave, in particular in 2013.

ILO. (2016). *The enabling environment for sustainable Enterprises in Kyrgyzstan*. ILO Decent Work Technical Support Team and Country Office for Eastern Europe and Central Asia. Moscow: ILO. https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/---ifp_seed/documents/publication/wcms_516521.pdf

This report presents a comprehensive evaluation of the business environment of Kyrgyzstan. The assessment was conducted in line with the ILO methodology on the Enabling Environment for Sustainable Enterprises (ESEE), and provides a full review of the methodology's 17 factors. SMEs in Kyrgyzstan, although employing only 3.9% of the country's work force, contribute 40% of GDP. During the past years, Kyrgyzstan implemented reforms to improve their business climate, a number of policies and regulations have been enacted to promote sustainable growth through job creation, to develop the business environment and to improve environmental management. This report identifies the relative strengths and weaknesses of the enabling environment for sustainable enterprises. The purpose of the assessment is to stimulate debate and to provide an evidence base for policy reforms, leading to an environment that is more conducive to the promotion of sustainable enterprises.

Barriers and recommendations

Key barriers to sustainable enterprises in Kyrgyzstan include: political instability; periodically occurring elements of corruption; electricity issues; tax rates; informal sector; access to finance and high cost of finance; workforce and tax administration; regulations and jurisdictions of institutions partly overlap, which is a barrier for business operations and foreign investments.

Based on employers' responses to the EESE assessment tool, the most important factors that need to be improved in Kyrgyzstan in the coming period were identified and recommendations for improvement given (see table on pages 88-89 of the report for full list of recommendations):

- Good governance and some issues pertaining to political stability: Improve the efficiency of public administration through good management, better organisation and higher level of responsibility; inform the public on corruption affairs and persons involved; improve the usage of e-services especially for the private sector.
- Sound and stable macroeconomic policy and good management of the economy: improve policies and regulation in a way they provide stable and predictable economic conditions and stimulate long-term productivity; keep on with the activities aimed at ensuring stable and low inflation; enhance the efficiency and transparency of judicial authorities.
- Trade and sustainable economic integration: reduce the time to export/import in Kyrgyzstan also reducing the number of documents necessary for export/import; improve the promotion of electronic systems for submission of documents; improve the quality and efficiency of work of customs administration.
- Rule of law and secure property rights: strengthen institutional capacities for a transparent, accountable, democratic and pluralistic process for enacting laws; improve the existing legal system that would ensure that contracts are honoured, the rule of law is respected and property rights are secure; improve the existing infrastructure that would ensure legal certainty.
- Access to financial services: create a stimulating credit policy in terms of better loaning conditions; improve financial products so that they are available to all companies in each stage of their evolution, and regardless whether they are based in urban or rural areas; increase access to long term capital so that SMEs can compete.
- Enabling legal and regulatory environment: continue with labour legislation reforms; improve the work of regulatory bodies and decrease the number of overlapping bodies; improve the work of inspection and make environment the same for all participants.
- Education, training and lifelong learning: improve the overall communication between education and business; advocate for a more active participation of employers in education planning and curricula design as well as in education delivery through apprenticeships and/or other forms of practical training.

Limitations of the report

The EESE methodology assesses the business environment in terms of the economic, social, political and environmental aspects of doing business. In 2015 and 2016, with the support of external experts and a professional Research Company, the National Confederation of Employers of Kyrgyzstan (NCEK) implemented the survey using the EESE methodology. The report reflects information gathered through a review of secondary data and through a national opinion or perceptions survey comprised of 300 in-depth interviews, and several focus groups. The report does not comment on any limitations of the approach.

Women's empowerment

UNDP. (2016). *Case Study on combating gender inequality in political participation in Kyrgyzstan*. Regional Human Development Report 2016. Progress at Risk: Inequalities and Human Development in Eastern Europe, Turkey and Central Asia. Bishkek: UNDP. http://www.kg.undp.org/content/kyrgyzstan/en/home/library/womens_empowerment/-case-study-on-combating-gender-inequality-in-political-particip.html

This case study was conducted as part of the joint UNDP, UNICEF and Peacebuilding Fund Project “Women as Peaceful Voters and Women as Candidates” (2015-2016) and the UNDP Istanbul Regional Hub. Promotion of gender equality and women's empowerment within political participation is a key component of UNDP activity in Kyrgyzstan. The main purpose of the case study was to analyse gender context in Kyrgyzstan in terms of the relationship of economic, social and political inequality opportunities, as well as challenges in implementing tasks aimed to promote gender equality in political participation that take these inequalities into account.

The case study found that political leadership and representation, and participation of women in governance, in Kyrgyzstan are visible at all decision-making levels, and are guaranteed by special laws and measures. However, the existing guarantee system is not sustainable or strong enough to ensure full realisation of these rights in practice. Increase in women's political activity is significantly limited by lack of access to economic resources. The strategy to improve women's access to microcredit without adequate investment of resources in growth of women-borrowers' potential as economically autonomous active subjects (i.e. without reference to traditional female roles) can lead to an increase in women's workload and her vulnerability.

Recommendations

The case study made the following recommendations based on the lessons learnt and taking into account the objectives of the Sustainable Development Goals (SDGs):

- *Promote the development of critical debates*: It is necessary to create conditions for multilateral dialogue and support discussion platforms at various levels in order to deepen understanding of women's political participation as an independent value/principle for equitable social development. The practical goal of this work in the near future could be adaptation of the SDG indicators on women's participation, namely the development of qualitative measures of the proportion of seats held by women in Parliament and local government bodies, as well as the proportion of women in governmental management positions.
- *Alternative strategies and new partnerships*: Particularly in the field of economic empowerment of women, it seems relevant to develop partnerships – especially with trade unions and political parties – in order to develop innovative approaches based on the rights of working women, including a high level of involvement of women in informal and low-paid / unpaid employment sectors.
- *Political education*: It is particularly important at the civil society level to broaden political education of women through a variety of civil and informal associations in order to increase political awareness regarding the economic and social factors of gender inequality. It is important to develop this work on the basis of institutional support of women's organisations and networks. It is strategically important that they have strong potential to advance the agenda of women's political participation.

Limitations of the report

This case study is based on data collected through analysis of documents and statistical data, interviews with experts at the national level. The study covered the period of 1995-2015 (starting from accession of Kyrgyzstan to the Beijing Platform for Action). The respondents represented by two main categories of experts: UNDP gender specialists and coordinators (during different periods), and representatives of civil society and the state. It is important to note that the authors participated in the UNDP Kyrgyzstan projects as consultants, trainers, and researchers. Thus, their experience may affect analysis of the report materials. The data were collected from September to December 2015, and report preparation took place in January and February 2016.

Keneshbekovna, B. S. (2014). Obstacles for the development of women entrepreneurship in Kyrgyzstan: challenges and the measures for their solution. *European science review*, (5-6). <https://cyberleninka.ru/article/n/obstacles-for-the-development-of-women-entrepreneurship-in-kyrgyzstan-challenges-and-the-measures-for-their-solution>

This paper explores obstacles for the development of women entrepreneurship in Kyrgyzstan, highlighting a number of challenges to investment, entrepreneurship and growth. The paper argues that the main gender issues in need of attention are the status of women in the labour market, and unequal access to capital. Promoting economic activity among women, improving the status of women in the workforce, reducing women's unemployment and poverty levels are ways to overcome gender inequality in Kyrgyzstan. One of the main avenues for tackling these issues and narrowing the gender gap is development of women's entrepreneurship.

Challenges and recommendations

The paper identifies the following challenges as being directly or indirectly related to women's entrepreneurship development:

- Persistent social and cultural norms and gender (patriarchal) stereotypes towards women's role in the society;
- Differences in access to and control over physical and human resources;
- Differences in education that lead to gender segregation in many sectors of the economy;
- Existence of vertical segregation along gender lines;
- Low level of awareness about gender equality issues in society;
- Differences in self development opportunities;
- Increase in the gender gap in income, pension benefits and social protection in general;
- A decrease in the number of women in the share of economically active population;
- Low levels of gender awareness in state administration and local authorities.

The paper makes the following recommendations:

- Improve tax legislation by enhancing the efficiency and transparency of the tax system by means of ICT and strengthening the "single window" mechanism;
- Reduce state interference and regulation of SMEs, and launch dialogue between the state and business community on the basis of active partnership;

- Simplify relations between state bodies and entrepreneurs and to base them on strict compliance with existing legal norms;
- Increase the overall efficiency of the state administration system by ceasing the duplicating functions of state administration;
- Adopt targeted state programmes for women's entrepreneurship that includes preferential access to credit and taxation;
- Development of information supports of women's entrepreneurship, ensuring access to information necessary for doing business;
- Introduction of ICT into women's SMEs will allow the expansion of entrepreneurship activities, ensure broad access to information, and create the conditions for lowering costs and strengthening cooperation and collaboration;
- Strengthen the institutional basis for women's entrepreneurship through increasing women entrepreneurs' involvement in associations and professional organisations by disseminating information on their activity among women.

Limitations of the report

The paper does not go into detail on methodology or limitations of the approach.

Sectoral analysis

Gassner, K.B., Rosenthal, N., & Hankinson, D.J. (2017). *Analysis of the Kyrgyz Republic's Energy Sector (English)*. Washington, D.C.: World Bank Group.

<http://documents.worldbank.org/curated/en/370411513356783137/Analysis-of-the-Kyrgyz-Republics-Energy-Sector>

The report was intended to inform and support the ongoing reform efforts of the Government of Kyrgyzstan in the energy sector, and complement World Bank Technical Assistance provided to the State Regulatory Agency of the Fuel and Energy Complex in designing a tariff methodology and performance monitoring framework for the power and heating sectors. The analysis in this report shows the impact of recent reforms, details remaining challenges, and presents potential solutions to those challenges. Substantial institutional reforms have occurred in the past three years including: the establishment of an independent sector Regulatory Agency in 2014; the formation of a National Energy Holding Company (NEHC); and the abolishment of the Ministry of Energy and Industry in 2015 with a transfer of policy making responsibilities to a new State Committee on Industry, Energy and Subsoil Use in 2016. A number of challenges remain for the sector, including: inadequate supply reliability and poor quality of service; fragile financial condition; and concerns about affordability and willingness to pay.

Recommendations

The report makes the following recommendations for making the sector sustainable:

- Tariff reforms (i.e. aligning tariffs with costs) cannot be delayed.
- Prioritising investment and rehabilitation of sector assets.
- Further strengthening policy, governance and regulation.

Limitations of the report

The report does not highlight any limitations and nor does it mention its methodology in detail.

O'Connell, J., & Kiparisov, P. (2018). *Kyrgyzstan Value Chain Gap Analysis*. Rome, Italy: FAO. <http://www.fao.org/3/i9199en/I9199EN.pdf>

Though the role of agriculture and food industry sectors in the economy of Kyrgyzstan has steadily decreased over the years, the country still greatly relies on these sectors. This work is a part of a series of studies on the value chain development gaps and the environment for doing business for farmers done by FAO's Regional Office for Europe and Central Asia, Regional Initiative on Improving Agrifood Trade and Market Integration. The goal of this policy paper is to try to consolidate the information on countrywide value chain development gathered from various open sources and based on materials collected in field missions by FAO officers, with a particular emphasis on the potato value chain in the Issyk-Kul region. The recommendations provided in the paper will assist the FAO country office and the Government in decision-making and will inform other development organisations about major value chain development activities.

The paper examines the overall situation in Kyrgyzstan with a focus on the agriculture sector, food quality, and food safety systems. It reviews related legislation and the environment for doing business. The paper examines existing support measures for agriculture and covers the banking sector and trade policy. In addition, the paper describes main value chain actors and international development programmes. The final part of the paper provides recommendations on both selected and countrywide value chain development and closely examines ways of improving seed availability, marketing, and ecological tourism.

Recommendations

The report has the following recommendations to state bodies for future Value Chain Development:

- Legal Environment: simplify legislation and introduce codified laws; address the legislation on food safety.
- Business Environment: raise awareness among farmers on forms of cooperatives and associations; raise awareness among farmers on certification; raise awareness among farmers on export opportunities.
- Production Support (inputs): seed breeding and multiplication requires governmental subsidies; farmers require quality seeds, and supply should be supported.
- Access to Finance, Infrastructure, and Civil Society: revisit bank financial products and measures of support; increase the maximum maturity of subsidised credit products to allow farmers to take larger loans; regulate the maximum interest rate for microcredit; improve access to finance and knowledge for organic-aimed farms.

Limitations of the report

The research presented in this paper is based on a review of existing literature, statistical data from open sources (FAOSTAT, FAO Yearbooks, WB, UN Comtrade), national data, legal data, materials collected in a field mission, and a survey of Kyrgyz farmers conducted by a local non-governmental organisation in 2017. The main methodological approach of this study is a value chain gap analysis developed by John O'Connell, FAO agrifood economist. The approach aims to assess the constraints to growth and provide solutions to develop more efficient, inclusive, and sustainable agrifood value chains. In addition, some elements of global value chain analysis and traditional value chain analysis methodologies are used. The reason for using different sources

of statistical data is varying quality and availability of data. The paper does not go into detail about other limitations of the methodology.

OECD. (2016). *Reforming Economic Instruments for Water Resources Management in Kyrgyzstan*. OECD Studies on Water. Paris: OECD Publishing.

<https://doi.org/10.1787/9789264249363-en>

As part of the ongoing National Policy Dialogue (NPD) on water policy conducted in cooperation with the EU Water Initiative, Kyrgyzstan has committed to enhance the use of economic instruments for water resources management to improve the management of surface and groundwater resources. This report explores how strengthening incentives for improving water use efficiency economic instruments could help to better balance growing demand for water with available fresh water resources thus ensuring greater levels of security of water supply. The reform could help to make the water sector more financially autonomous and less dependent on state support.

The report presents recommendations on introducing/reforming the following economic instruments for water resource management in Kyrgyzstan:

- Surface water abstraction charges (including non-consumption uses)
- Environmental pollution fees
- Tariffs for irrigation water
- Specific land-tax rates for the Issyk-Kul Biosphere reserve
- Product tax (including import duty) on selected products that contribute significantly to diffuse water pollution in Kyrgyzstan.

Main findings

The report highlights the following main findings (specific recommendations for short-, mid and long-term actions can be found in the Draft Action Plan Table on pages 89-94):

- The ambitious water management objectives can be progressively developed and implemented through appropriate sequencing of reforms.
- A well-thought out staged approach to reforms will also help mitigate or reduce eventual political resistance to the proposed options.
- A gradual and well-sequenced implementation will bring positive environmental, fiscal and social benefits.
- The reforms will help align water management policy to the broader development objectives of Kyrgyzstan such as the development of tourism and export-led agriculture.
- Reduced reliance on public subsidies for operation and management of water services will free up significant public funds, which can be used for capital investment in rehabilitation and extension of water infrastructure and for strengthening the existing social support system.

Limitations of the report

Section 2 of the report gives detailed information on the methodology of the assessment. Where data needed for the assessment were lacking, the authors sought experts. The methodology

contrasts the potential revenue and cost recovery prospects of each economic instrument, compared to the budget required to meet Kyrgyzstan's water management objectives; the financial, socio-economic and environmental implications of reform are analysed for each option. Actions corresponding to the recommended reform scenarios are presented in the form of a draft Action Plan. Possible reform options are defined after a review of existing instruments and careful evaluation of their performance and shortcomings.

3. Acknowledgements

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- Natalya Iosipenko, World Bank in Kyrgyzstan

Key websites

- Asian Development Bank in Kyrgyzstan: <https://www.adb.org/countries/kyrgyz-republic/main>
- The UN in Kyrgyzstan: <http://kg.one.un.org/>
- The World Bank in Kyrgyzstan: <http://www.worldbank.org/en/country/kyrgyzrepublic>

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About this report

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