

The World Bank in the Kyrgyz Republic

Country Snapshot



An overview of the World Bank's work in the Kyrgyz Republic

October 2019

THE KYRGYZ REPUBLIC	2018
Population, million	6.3
GDP, current US\$ billion	8.0
GDP per capita, current US\$	1,277
Life Expectancy at birth, years (2018)	70.7

At a Glance

- The Kyrgyz Republic's Sustainable Development Strategy 2040 and medium-term development program for 2018–22 have outlined steps for future development efforts and a shift toward a private sector-led economic model.
- The World Bank is working with the Kyrgyz Republic to boost economic growth and competitiveness and improve public administration, public service delivery, the business environment, and social conditions.
- The poverty rate (measured at US\$3.2/day at 2011 purchasing power parity) was 19.3 percent in 2018. Moderate growth in services and agriculture—sectors that employ a large share of the bottom 40 percent—constrained real labor income growth for the poor. Meanwhile, remittances supported household consumption.

Country Context

The Kyrgyz Republic is a land-locked, lower-middle-income country of 6.3 million people. It has rich endowments, including minerals, forests, arable land, and pastures, and there is significant potential for the expansion of its agriculture sector, hydroelectricity production, and tourism industry.

The country has experienced instability since independence in 1991. Corruption and nepotism were major stress factors underlying political and social upheavals in 2005 and 2010.

To prevent the concentration of power, a parliamentary constitution with elaborate checks and balances was adopted in late 2010, making the Kyrgyz Republic the only Central Asian country in which the president is limited to a single term.

The president first elected under this constitution served a full six-year term. Following peaceful elections, President Sooronbai Jeenbekov took office in November 2017. The coalition government is accountable to the parliament.

The economy is vulnerable to external shocks owing to its reliance on one gold mine, Kumtor, which accounts for about 10 percent of GDP, and on worker remittances, equivalent to about 27 percent of GDP in 2018.

To realize the country's potential, economic activities need to be diversified through increased private sector development and improved occupational skills and productivity in the young labor force.

The World Bank and the Kyrgyz Republic

Since the Kyrgyz Republic joined the World Bank in 1992, the Bank's financial assistance has amounted to over US\$1.6 billion.

World Bank support has helped the country to maintain macroeconomic stability, invest in strategic infrastructure, and improve access to social services.

To enhance the impact of the sizable external assistance that the country enjoys and avoid duplication of effort by donors, the World Bank Group (WBG), through its convening role, worked closely with the Government to help improve broader donor coordination in the country and link it more directly to identified national priorities.

The World Bank-supported programs have delivered important development results in many areas, including health care, education, rural development, irrigation, water supply and sanitation, transport infrastructure, and public financial management.

Key Engagement

The strategic focus of the World Bank's program as highlighted in the 2019–22 Country Partnership Framework is to assist the Kyrgyz Republic in promoting diversified, export-oriented, inclusive, and sustainable private sector-led growth.

World Bank engagement for the next several years will be built around three focus areas:

- First, strengthening the foundations for inclusive private sector-led growth, focusing especially on fiscal stability, improvements to the regulatory environment for business, and risk reduction.
- Second, boosting overall productivity and building greater connectivity through support for the development of promising natural resource sectors and greater digital and physical connectivity.

WORLD BANK PORTFOLIO

No. of IDA Projects (Country): 14

Lending: \$315 million (IDA18)

No. of IDA Projects (Regional): 4 for \$150 million

Trust Funds: \$53 million

Terms: 50 percent of financing is provided in the form of IDA grants, and 50 percent is highly concessional IDA credits with no interest and a 0.75 percent service charge. Credits are repayable in 38 years, including a six-year grace period.

- Third, expanding economic opportunities and building resilience through investments in human capital, efforts to decentralize and support regional development, and better adaptation to environmental and climate risks.

Support for these areas will be provided through concessional International Development Association (IDA) lending, supplemented by trust fund financing and intensified Advisory Services and Analytics that emphasize practical, problem-solving advice.



World Bank-supported programs have delivered important development results in many areas, including health care, education, and rural development.

Recent Economic Developments

A surge in gold production boosted real GDP growth to 6.9 percent year-on-year (y-o-y) in January–July 2019 compared to a contraction of 0.1 percent in the same period a year ago. Gold production rose by 50 percent y-o-y, partly reflecting a low base of comparison (it contracted by 25.7 percent in the same period last year). Non-gold GDP growth was moderate at 3.1 percent.

Growth was supported by looser monetary policy in response to subdued inflation of 1.5 percent in July 2019.

The current account deficit shrank to 1.5 percent of GDP in the first quarter of 2019 from 6 percent a year earlier, owing to higher exports and increased income and current transfers. Exports rose by nearly 15 percent mainly as a result of gold shipments abroad, which were up by 60 percent y-o-y.

The budget deficit declined to 0.3 percent of GDP in January–July 2019 from 1.4 percent a year earlier, as both current and capital spending fell as a percentage of GDP. Lower tax revenues reduced total revenues in spite of slightly higher non-tax revenues and grant support.

The Kyrgyz som has been stable against the US dollar. Gross international reserves stood at US\$2.1 billion in July 2019, the equivalent of four months of goods and services imports.



World Bank support has helped the country to maintain macroeconomic stability, invest in strategic infrastructure, and improve access to social services.

Economic Outlook

Full-year GDP growth is projected at 4.2 percent in 2019 as gold production growth slows in the second half of the year due to a high base effect. GDP growth will be supported by continued growth in remittance inflows, a looser monetary policy, and rising public investment.

Unless the authorities pursue rigorous structural reforms to expand the economy's productive capacity, GDP growth is likely to slow to an average of 3.7 percent over the medium term as gold production declines.

Inflation is projected to accelerate to 3 percent in 2019, fueled by an increase in teachers' wages and pension payments. Over the medium term, inflation will remain below the central bank's target range of 5–7 percent, assuming exchange rate stability and no major shocks to global food prices.

The current account deficit is projected to remain elevated at about 7 percent of GDP, reflecting structural constraints to exports and the import content of public investment.

The authorities are committed to reducing the deficit to 3 percent of GDP by 2020. In 2019–21, tax revenues are projected to rise, reflecting planned policy measures to expand the tax base, reduce tax exemptions, and raise excise tax rates.

Meanwhile, expenditures are projected to decline following efforts to streamline non-priority purchases and strengthen public procurement.

Project Spotlight

Implementation of the National Strategy for Statistical Development Project (2014–18)



Upgraded and expanded IT hardware and software have enabled improvements in data collection, preparation, storage, and dissemination.

The National Strategy for Statistical Development Project

has led to improvements in the production and dissemination of reliable and timely statistics in accordance with international standards and in response to user needs. Upgraded and expanded IT hardware and software have enabled improvements in data collection, preparation, storage, and dissemination.

The project has also strengthened the regulatory framework for statistical work through the new Law on Statistics and the introduction of changes to 25 existing laws for regulatory consistency.

Internationally accepted statistical techniques in collection, compilation, and control are currently being applied and carried out for data sources and statistical products for most statistical areas.

According to a recent assessment of the Federal Statistical Office of Germany, the National Statistical Committee of the Kyrgyz Republic is now compiling all basic data following international standards in line with the UN Fundamental Principles and the Code of Practice of EUROSTAT.

The dissemination of statistical products and data has improved significantly, demonstrated by the more than 230,000 website visitors in 2018, a threefold increase in three years. There is also a popular feedback mechanism allowing data users to submit their requests, complaints, and questions.

“Thanks to this project, we adopted and use electronic data collection throughout the country using tablets and smartphones. This helps us to improve the timeliness of data collection, preparation, and dissemination.

Most importantly, data quality and coverage have improved significantly, which enables better-informed and better-targeted policy decisions in the Kyrgyz Republic,” says National Statistical Committee Deputy Chairman Nikolai Chuikov.

The “Country Snapshot” is a bi-annual update, highlighting the country’s recent developments, economic outlook and major overview of the World Bank’s partnership with the country. You can find the latest updates at <http://www.worldbank.org/kyrgyzrepublic>

CONTACTS

Bishkek
+996 312 625-262
214 Moskovskaya St.
Bishkek, 720010
the Kyrgyz Republic.

More about the World Bank in the Kyrgyz Republic

Website:
<http://www.worldbank.org/kyrgyzrepublic>

Data:
<http://data.worldbank.org/country/kyrgyz-republic>



Follow us on Facebook
World Bank
Kyrgyz Republic