

The World Bank in the Kyrgyz Republic

Country Snapshot



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

April 2020

THE KYRGYZ REPUBLIC	2019
Population, million	6.5
GDP, current US\$ billion	8.5
GDP per capita, current US\$	1,323
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.
- Poverty is projected to increase in 2020 as households face both external and domestic shocks due to the COVID-19 outbreak. Social transfers will continue to play an important role in supporting the most vulnerable populations.

Country Context

The Kyrgyz Republic is a land-locked, lower-middle-income country of 6.5 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 8 percent of GDP, and on worker remittances, equivalent to about 28 percent of GDP in 2019.

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\$1.83 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 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.

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): 13

Lending: \$347.6 Million (IDA18)

No. of IDA Projects (Regional): 5 for \$165 Million

Recipient-Executed Trust Funds: 61.9 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.

Recent Economic Developments

Growth slowed significantly to 1.5 percent in the first quarter of 2020, down from 5.2 percent in the same period of 2019, as economic activity is hit by the COVID-19 outbreak and declining growth in the gold sector. Non-gold GDP growth decreased to 0.8 percent from 1.3 percent a year ago.

Trade, transportation, and other services have been negatively affected by the China border closure in late January and the introduction of a state of emergency in mid-March.

This is being further exacerbated by adverse regional developments as global oil prices fell sharply in early March.

A sharp depreciation of the Kyrgyz som by more than 20 percent in March has exerted pressure on domestic prices. Twelve-month inflation rose to 5.9 percent in March 2020 from 3.1 percent in December 2019, driven by the rise in food prices.

The external trade deficit is estimated to have declined to 32.3 percent of GDP in January–February 2020 from 39.5 percent a year ago.

Exports grew by 20 percent, driven by gold exports, with imports falling by 9.7 percent. Remittances in U.S. dollars are estimated to have declined by 11.5 percent over the same period.

The budget situation deteriorated as the Government ran a deficit of 5.6 percent of GDP in January 2020 compared to a 7.9 percent of GDP surplus a year ago.

This resulted from lower tax and non-tax revenues and increased current and capital spending. Public debt amounted to 54.6 percent of GDP in January 2020, up from 54.1 percent in December 2019.

Economic Outlook

Full-year real GDP growth is projected to decline to 0.4 percent in 2020 due to the impact of the COVID-19 outbreak and the weakening growth in Russia. Gold production is expected to remain at the same level as in 2019, as the reduction at the Kumtor gold mine will be offset by a new gold project, Djerooi.

Assuming that the outbreak is contained by the second half of 2020, GDP growth is forecast to rebound to 3.5 percent in 2021 and 4.6 percent in 2022.

Twelve-month inflation is projected to accelerate to over 10 percent in 2020, reflecting coronavirus-related supply disruptions, the depreciation of the som, and an expansionary fiscal stance. Over the medium term, inflation is expected to be within the National Bank's target range of 5–7 percent.

The current account deficit is expected to widen to 14.4 percent of GDP in 2020, reflecting slower export growth and declining remittances. However, the current account deficit is expected to narrow to about 10 percent of GDP in 2022.

The fiscal deficit is expected to widen to 7.7 percent of GDP in 2020, owing to a fall in revenues as a result of the coronavirus and oil price shocks.

At the same time, spending is likely to increase, reflecting a higher wage bill and coronavirus mitigation measures. Over the medium term, the deficit is projected to decline to 3 percent of GDP.

Project Spotlight

Kyrgyz Republic Emergency COVID-19 Project



World Bank funding will support the Kyrgyz Republic's Contingency Plan for COVID-19. Photo credit: Ministry of Health of the Kyrgyz Republic

On April 2, 2020, the Kyrgyz Republic was among the first group of countries to receive World Bank financing to respond to the COVID-19 pandemic.

At the request of the Government, the World Bank provided US\$12.15 million through the Emergency COVID-19 Project.

To help prevent the spread of the virus, urgently needed supplies will be procured, including testing kits, laboratory reagents, and personal protective equipment. The country will also acquire 20 fully equipped ambulances, and rapid response groups will receive vehicles specifically for the transfer of equipment and supplies.

The project will also procure Intensive Care Unit (ICU) equipment and supplies, which will include mechanical ventilators, cardiac defibrillators, mobile x-rays, oxygen concentrators, and other essential equipment, to establish or renew 10 eight-bed, fully equipped ICUs in designated hospitals.

Another 20 ICUs and 100 isolation rooms in 24 hospitals around the country will undergo emergency repairs to ensure patient and staff safety. Project funds will also be used to top up salaries for medical staff and to hire additional staff where necessary.

"The purpose of the Emergency COVID-19 Project is to save lives and prevent further contagion. Investments will focus on immediate health care needs," says Bolormaa Amgaabazar, World Bank Country Manager for the Kyrgyz Republic.



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