



Eurasian
Development
Bank

Progress Report on the EDB Country Strategy for the Kyrgyz Republic: 2023





Overview of Country Strategy Progress in 2023



Executive Summary

In 2023, the EDB significantly increased its contribution to Kyrgyzstan's economic development in line with the goals and objectives of its 2022-2026 Country Strategy for the Kyrgyz Republic ("Country Strategy"). Diversification of investments, development of new cooperation areas and more active use of technical assistance for investment initiatives produced substantial outcomes in the Bank's operations in Kyrgyzstan during the second year of its Country Strategy.

As of 31 December 2023, the following results had been achieved:

- **In 2023, the EDB's investment portfolio in the Kyrgyz Republic saw considerable growth.**
Within the scope of the Bank's efforts to develop operations in the smaller economies, Kyrgyzstan became an investment growth leader in 2023. In 2022 and 2023 the cumulative investment portfolio reached 61.6% of the EDB's five-year indicative target for 2022–2026, envisaged by the Country Strategy. By the end of 2023, the Bank's current project portfolio in Kyrgyzstan had expanded by more than 1.6 times year-on-year, totalling US \$101.5 million.
- **The most significant progress was achieved in developing basic infrastructure and fostering economic diversification.**
The Bank placed a strong emphasis on enhancing its contribution to real-sector projects with potentially significant multiplier effects in the Kyrgyz Republic.
- **In 2023, the EDB signed new agreements for major projects in the Kyrgyz Republic's key sectors.**
New investments in infrastructure and energy rank among the EDB's most significant initiatives since the Bank began operations in Kyrgyzstan.

→ **The portfolio of grants for technical assistance projects in the Kyrgyz Republic grew significantly.**

In 2023, the Technical Assistance Fund (TAF) launched three technical assistance projects, totalling nearly US \$4.2 million, including a landmark initiative to support the construction of the Kulanak HPP. By the end of 2023, projects in the Kyrgyz Republic comprised over 35% of the TAF's current portfolio.

→ **As a think tank, the Bank contributed to the advancement of irrigation and water infrastructure modernisation initiatives.**

A highlight in 2023 was the preparation and discussion of the EDB's report on the development of water supply and irrigation infrastructure in Central Asian countries. Given the specifics of the sector, such projects may have a crucial applied value for the Kyrgyz Republic.

→ **The EDB enhanced its focus on initiatives to strengthen the institutional environment.**

In line with its goal to establish itself as a key development partner in the 2022–2026 period, in 2023, the Bank not only advanced investments but also worked on systemic institutional initiatives promoting sustainable growth, including in collaboration with partner institutions. In this area, the Bank primarily focuses on the mechanism of targeted grant financing.

→ **The EDB strengthened its focus on developing cooperation with partner institutions to mobilise investment in the Kyrgyz Republic.**

In 2023, the Bank paid special attention to scaling up development impact by synergising partner institutions' resources and project competences, as one of the key mechanisms for implementing the Country Strategy.

→ **With assistance from its Fund for Digital Initiatives, the EDB scaled up important applied digital solutions.**

In promoting digital transformation in the Kyrgyz Republic, the Bank prioritised the digitalisation of public services. In the corporate sector, it also scaled up integration solutions, facilitating the development of common markets in Eurasia.

Year 2023 in Figures

As of 31 December 2023



\$201m

Cumulative portfolio



\$101.5m

Current investment portfolio



>90%
of the portfolio

Signings during the strategy's first two years

2
projects



Energy



Industry

↓ Total for 2023

\$92m

New signings

↓ In 2023

New agreements for real-sector investment projects in Kyrgyzstan were signed for the first time since 2015



3-fold increase

Real-sector investments surpass the cumulative portfolio of real-sector projects completed since the EDB began operations in the Kyrgyz Republic



\$4,2m

Almost 50%

Approved TAF grants for technical assistance projects in Kyrgyzstan



The EDB TAF's largest project in Kyrgyzstan

Technical assistance for the Kulanak HPP construction and operation project

The EDB's current portfolio investments contribute to:

- ✓ Increased outputs in Kyrgyz Republic's economy
- ✓ Increased tax revenues
- ✓ The growth of mutual trade with the Bank's member states

>\$146m

per annum

~\$17.5m

per annum

>\$50m

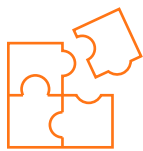
per annum

2

Progress on Strategic Objectives in 2023



Objective 1



Development of basic infrastructure for regional integration and sustainable development

↓ What we do



Significant results were achieved in modernising and constructing hydroelectric facilities and grid infrastructure.

- o Preparing financing for the Kulanak HPP construction and operation project
- o Preparing new investment projects to construct renewable energy facilities
- o Considering the provision of technical assistance for a project to construct and operate the Jerooy HPP, with a capacity of up to 28 MW
- o Collaborating with global organisations to mobilise resources from partner institutions for development initiatives
- o Technical assistance project, implemented in collaboration with the United Nations Development Programme, to finance a feasibility study for the construction and operation of the 15–25 MW Akulenskaya HPP

↓ Achievements



The Bank expanded its portfolio in the Kyrgyz Republic with the project to construct and operate the 100 MW Kulanak HPP

\$44m
Project value

To support project implementation, the EDB provided an additional TAF grant

The project makes a significant contribution to the economic growth of the Kyrgyz Republic's

\$14.3m per year
Increased economic outputs

\$2m per year
Tax revenues

>100
New jobs created

The project aligns with the Sustainable Development Goals (SDGs):



SDG7
Affordable and clean energy



SDG8
Decent work and economic growth



SDG9
Industries, innovation and infrastructure

↓ **18%**

Decrease in capacity shortages in Kyrgyzstan's energy system with the commissioning of 100 MW of additional generation capacity

The project facilitates the Bank's efforts to strengthen collaboration and implement joint initiatives with partner institutions. The project is being implemented in cooperation with the Russian-Kyrgyz Development Fund

Objective 2



Economic diversification, promoting exports and developing private businesses

↓ What we do



In 2023, the Bank's work was focused on two areas

1

Promoting the establishment and development of industrial enterprises in the country and boosting their export potential

Special focus 

Mitigating adverse environmental impacts as part of the Bank's continuous commitment to enhancing focus on the global ESG practices

2

Expanding technical assistance for sustainable growth

Diversifying and developing key sectors: tourism, including the construction of hotels and recreational infrastructure, and financial markets

↓ Achievements



The EDB approved financing for a new investment project to modernise a cement plant in the Chu Region

\$48m
Financing

2,500 tons per day
Production capacity of the new modern-technology dry-process clinker burning line

Positive effects

- o Contributing to the industrial sector development and enhancing its accessibility and self-sufficiency in basic materials
- o Promoting economic development of the region
- o Reducing negative environmental impacts through lower emissions



The Bank approved TAF financing for two projects promoting institutional development in the Kyrgyz Republic in key sectors

- o Training the Kyrgyz state authorities' management team under a tourism development programme at one of the leading EAEU business schools
- o Creating learning infrastructure and organising training sessions on budget lending and financial and non-financial asset management for the employees of the Financial Credit Fund at the Ministry of Finance

Objective 3



— Agricultural development

↓ What we do



To support agricultural development, the Bank continued focusing on promising agricultural projects, including by financing targeted lending programmes of its partner financial institutions in the Kyrgyz Republic

↓ Achievements



The Bank received proposals for applied sector-specific and project-based solutions promoting sustainable agricultural development in the context of advancing water availability infrastructure in the medium and long term

- o Laying the groundwork for preparing prospective priority initiatives
- o Establishing a platform for dialogue and project cooperation with key partner institutions in the Kyrgyz Republic on both regional and global scales

Objective 4



Digital transformation

↓ What we do



The EDB continued implementing and scaling up projects of its Fund for Digital Initiatives in the Kyrgyz Republic

The Bank increased its focus on expanding the pipeline of promising digital transformation initiatives, both in the corporate sector and public administration digitalisation, in the Kyrgyz Republic.

In cooperation with state-owned Infocom, the Bank reviewed a project to implement an electronic vehicle passport system in the Kyrgyz Republic (Hereinafter – the system).

The system will:

- digitise vehicle passport issuance
- ensure compliance with uniform Customs Union standards
- facilitate a free vehicle market in Customs Union countries

↓ Achievements



The Kyrgyz Republic’s national segment was launched in the “Work in the EAEU” app

- o Enabling EAEU citizens to access various national services in Kyrgyzstan



>200 participants (factories) from the Kyrgyz Republic connected to the platform

As part of a project to establish BEE-ONLINE.ru, an international platform to develop and scale up light industry businesses, financed by the EDB Fund for Digital Initiatives

>160 users from the Kyrgyz Republic joined the platform

As part of a project to launch the International skills and professions platform, financed by the EDB Fund for Digital Initiatives

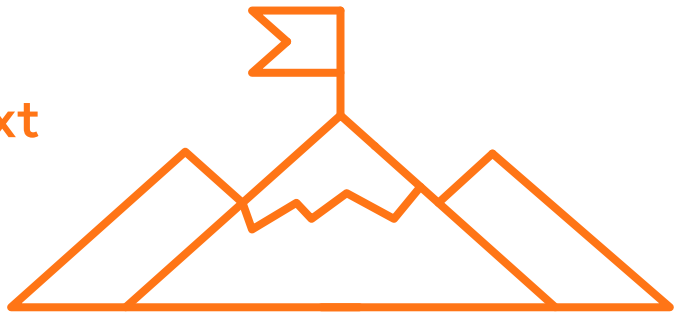


The EDB began exploring a pilot project for cross-border electronic transportation document exchange between businesses in the Kyrgyz Republic and EAEU member states

In collaboration with the State Tax Service under the Ministry of Finance of the Kyrgyz Republic

3

Strategic Objectives for the Next Period



Plans

4.5%

Projected Kyrgyzstan
GDP growth in 2024

First half of 2024

- o Strong consumer demand will continue to drive the economy
- o Assuming a planned budget surplus in 2024 and that monetary policy will focus on containing inflation, consumer activity is projected to normalise during the year

Second half of 2024

- o Growth in wholesale and retail trade is expected to slow
- o The economy will be supported by high investment activity fuelled by development programmes from international financial institutions and an increase in private investments in mining and construction
- o Industrial growth will be driven by increased outputs in metal ore mining and base metal production

In 2024, the Bank will pursue the following objectives:

→ **Maintaining the growth of EDB investments in the Kyrgyz Republic**

Expanding project activities in priority areas in Kyrgyzstan, including developing and implementing new approaches and project mechanisms

Enhancing capacity to mobilise partner institutions' resources as a risk-sharing mechanism and to maximise the development impact of EDB projects

~\$200m

Total financing potential for investment projects in priority sectors currently considered by the Bank

→ **Focus on infrastructure and energy projects**

Special focus

Exploring the feasibility of financing major road construction projects in the Osh Region and solar power plants in the Issyk-Kul Region

→ **Strengthening expertise in preparing and structuring bankable investment initiatives**

Focus: developing project mechanisms and structuring approaches, including for nurturing promising investment initiatives, with the Bank taking the lead, including in mobilising partner institutions' resources

→ **Developing the EDB TAF financing mechanism, including for scaling up effects through the innovative structuring of concessional financing**

The technical assistance instrument will serve as a platform to develop the Bank's concessional financing mechanisms, for both the existing initiatives and new promising mechanisms in conformity with multilateral development banks' best practices

→ **Focus on improving the EDB's contribution to the institutional environment**

In 2024, the Bank will continue reviewing and financing technical assistance projects through its TAF, aimed at developing PPPs and exchange infrastructure, as well as enhancing the investment attractiveness and transparency of the economy by improving the regulatory environment

Objective 1



Development of basic infrastructure for regional integration and sustainable development

↓ What we do

Objective



Exploring projects in transport, infrastructure, energy and tourism that contribute to regional integration and sustainable development of the Kyrgyz Republic



Transport and infrastructure

1

Project to construct and maintain the Uzgen Bypass in the Osh Region to:



improve and increase road safety



optimise heavy trucks' transit times between the country's two key regions



enhance transport accessibility for rural settlements in the Uzgen District

The EDB plans to use TAF resources to prepare detailed design and estimate documentation

2

Project to construct the Bishkek–Kuntuu–Belogorka–Suusamyr road, planned as a PPP initiative

The Bank will explore the possibility of allocating TAF for a preliminary feasibility study

3

Initiative to procure a rolling stock for the Kyrgyz Republic

4

Technical assistance initiatives in urban planning and utilities



Energy

Initiatives to construct renewable energy facilities, promoting mutual investment and trade among EDB member states

50 and 300 MW

Capacity of planned solar power plants in the Issyk-Kul Region



Financing ongoing projects

1

Kant Cement Plant: construction of a state-of-the-art clinker burning line

2

Naryn Production Enterprise: construction and operation of the Kulanak HPP



Preparing and financing, through the TAF, a project to digitise bidding procedures for private partners in PPP projects

Objective 2



Economic diversification, promoting exports and developing private businesses

↓ What we do

Objective



Exploring initiatives to facilitate the establishment and development of industrial enterprises in the Kyrgyz Republic and boost their export potential

The EDB will focus, among other things, on a project to modernise the lift industry in Bishkek



Ongoing technical assistance project

Training government management staff in four regions as part of a tourism development programme



Initiatives to develop financial markets, support small- and medium-sized businesses and promote trade cooperation

- o Preparing and financing a technical assistance project, through the TAF, to advance exchange infrastructure at the Kyrgyz Stock Exchange
- o Project to provide guarantees to the Ozon Group companies for expansion in the Kyrgyz Republic, including for the fulfillment of obligations under lease agreements
- o Financing SME support programmes of the Russian-Kyrgyz Development Fund

Objective 3



— Agricultural development

↓ What we do

Objective



Supporting investment initiatives that foster sustainable agricultural development in Kyrgyzstan, including by improving productivity and increasing the share of products with high added value

Special focus

Exploring initiatives in sustainable water and irrigation management

- o Working with government authorities in the Kyrgyz Republic and international development partners
- o Working with Aiyl Bank on a project within the agricultural sector support programme
- o Working with Demir Kyrgyz International Bank on transport infrastructure projects

Objective 4



Digital transformation

↓ What we do

Objective



Working on key digital transformation initiatives

Ongoing projects:

- “Work in the EAEU”
- “International skills and professions platform”
- “BEE-ONLINE.RU Digital Platform”



Reviewing a project to launch cross-border electronic transportation document exchanges between businesses in the Kyrgyz Republic and EAEU member states



Working with state-owned Infocom on a project to implement an electronic vehicle passport system in the Kyrgyz Republic

The system will:

-  digitise vehicle passport issuance
-  ensure compliance with uniform Customs Union standards
-  facilitate a free market for vehicles in Customs Union countries

Launching a project to develop ATTILAN, an international telerehabilitation platform, in collaboration with the Republican Institution for Prosthetic and Orthopaedic Products under the Ministry of Labour, Social Security and Migration of the Kyrgyz Republic



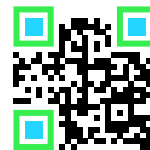
Conducting the Digital Project Competition to promote cooperation between Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia and Tajikistan through digital projects

TELEGRAM



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