



UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION



Programme for Country Partnership
Kyrgyzstan

PCP ANNUAL REPORT

Kyrgyz Republic



Reporting Period
2018



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PCP KYRGYZSTAN – AT A GLANCE

Country	Kyrgyz Republic
Status	Programming phase: started August 2017 Implementation phase: n/a Completion phase: n/a Expected completion date: n/a
Principle national policy/strategy supported by the PCP	Strategy for Industrial Development 2019-2024
Focus sectors/areas	Agro-industry, light industry, tourism, mining, construction materials, infrastructure (energy, transport, ICT)
Main participating ministries	State Committee for Industry, Energy and Subsoil use; Ministry of Economy; Ministry of Finance; Ministry of Agriculture; Ministry of Education; Ministry of Foreign Affairs
Key development partners	Potential development partners include: Financial institutions: World Bank, European Bank for Reconstruction and Development, Asian Development Bank, etc. Bilateral/multilateral financing partners: European Union, Russian-Kyrgyz Development Fund, Russian Federation, China, Kazakhstan, Japan, Republic of Korea, Turkey, etc. UN entities: UNDP, FAO, ILO Business sector: various, both national and international Other relevant partners: various
UNIDO projects with funding secured ¹ (completed and ongoing)	Total number of projects: 3 Total funding excl. psc. in US\$: 3,008,649 (ongoing)
Total investments leveraged ² (cumulative)	US\$ n/a
Total PCP volume	US\$ 3,008,649 (ongoing TC)

¹ **Funding secured:** The total budget (net of programme support costs) under signed agreements for UNIDO programmes and projects.

² **Funding leveraged:** Financial contributions allocated by public or private partners towards objectives pursued in a PCP. They are contributed partly as a result of UNIDO interventions within the framework of the PCP. Such resources are not channeled through UNIDO's accounts and accordingly not under the Organization's direct control.

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1. EXECUTIVE SUMMARY

The Programme for Country Partnership (PCP) for the Kyrgyz Republic achieved several important milestones in programming during 2018. In March 2018, UNIDO completed the PCP Kyrgyzstan Country Diagnostic, which identified the main challenges and opportunities for accelerating industrialization in the country. UNIDO has been supporting the Kyrgyz Government in formulating a national Strategy for Industrial Development for the period 2019-2024. This support is based on the findings of the Country Diagnostic, additional analytical documents developed together with the International Institute for Applied Systems Analysis, foresight and scenario planning, an extensive review of strategic documents in Kyrgyzstan, analysis of data from a number of national and international databases, in-depth interviews with key stakeholders in Kyrgyzstan, and a stakeholder engagement process across the country. This included the setting-up of a key stakeholder group and roundtable discussions held in Bishkek, Osh, Karakol and Jalal-Abad, respectively (May and July 2018). The Strategy for Industrial Development is currently being finalized and expected to be adopted by the Kyrgyz Government in 2019. The Strategy will include an Action Plan, also developed with the support of UNIDO, aimed at prioritizing activities to accelerate inclusive and sustainable industrial development (ISID) in the country. The Strategy and its Action Plan serve as basis for the PCP Programme Document, which is currently being finalized. The ultimate aim of the PCP is to assist the Kyrgyz Government in the implementation of the industrial development strategy and the related goals of its national development strategy.

2. INTRODUCTION

The PCP Kyrgyzstan is being developed based on the request for assistance from the Kyrgyz Government and subsequent dialogues and consultations with national stakeholders and partners, including those held at the occasion of the Director General's mission to Kyrgyzstan in June 2017. The UNIDO Executive Board approved the development of PCP Kyrgyzstan in July 2017. The Kyrgyz Republic is the first PCP in the Europe and Central Asia region and part of the pilot phase.

The aim of the PCP is to assist the Kyrgyz Government in the implementation of the Strategy for Industrial Development 2019-2024, which guides the selection of the priority industrial sectors and the proposed policy interventions. It will also include an Action Plan identifying priority actions for achieving ISID in the country. This Strategy is currently being finalized by UNIDO in consultation with the Kyrgyz Government. Adoption of the final document by the Kyrgyz Government is expected in 2019.

Based on the results of this Strategy, the PCP for the Kyrgyz Republic focuses on the following six priority industrial sectors/areas:

- 1) Developing agro-processing value chains with a focus on food and beverages;
- 2) Upgrading the textiles and apparel industry;
- 3) Enhancing sustainable tourism and strengthening linkages between tourism and productive industries;
- 4) Modernizing the construction materials industry;
- 5) Sustainable development of the mining sector; and
- 6) Developing technical infrastructure for industrialization.

These priorities will be supported by interventions in cross-cutting issues such as policy advice, quality infrastructure and related trade facilitation, resource and energy efficiency, as well as access to finance and investment promotion. The PCP also emphasizes the importance of gender mainstreaming for inclusive and sustainable industrial development.

In line with the Kyrgyz national vision and development goals, the PCP Programme Document outlines concrete deliverables together with objectively verifiable indicators for each of the priority industrial sectors/areas. The document also outlines strategic partners and donors, as well as articulates a coordination and management framework of the Programme.

The PCP Programme Document is currently being finalized with the results of the updated Strategy for Industrial Development. In particular, the logical framework and the risk analysis of interventions are being revised to reflect the latest changes.

3. ALIGNMENT WITH AND CONTRIBUTION TO UNDAF

The United Nations Development Assistance Framework (UNDAF) 2018-2022 for the Kyrgyz Republic is based on a set of four strategic priorities:

- 1) Sustainable and inclusive economic growth, industrial, rural and agricultural development, food security and nutrition;
- 2) Good governance, the rule of law, human rights and gender;
- 3) Environment, climate change and disaster risk management; and
- 4) Social protection, health and education.

Under the scope and guidance of the UNDAF 2018-2022 for the Kyrgyz Republic, UNIDO formulated its contribution, taking into account the implementation of the PCP for the Kyrgyz Republic. The PCP will provide a solid basis for the country's contribution towards the realization of Sustainable Development Goal (SDG) 8 and SDG 9 and has been developed in line with Priority 1 and Priority 3 of the UNDAF. Nevertheless, having in mind the interrelatedness of the SDGs, but also the mutually reinforcing strategies proposed by UNDAF, UNIDO's interventions can also contribute to the fulfilment of Priority 2 and 4 as set out by UNDAF.

UNIDO's mandate can most extensively and efficiently contribute to ISID in the Kyrgyz Republic through its engagement in line with Priority 1 of the UNDAF document. As this set of strategies aims at sustainable and inclusive economic growth, including industrial, rural and agricultural development, food security and nutrition, UNIDO has the capacity and expertise to engage in projects and activities that would help to:

- Promote a pro-poor business and green/sustainable entrepreneurship and investment environment to increase economic productivity, including labor productivity, especially for women;

- Remove regulatory and procedural barriers to trade and develop trade facilitation measures, including agricultural trade, and improve transport and logistics infrastructure for internal, regional and global market access;
- Strengthen value chains and increase knowledge of good nutrition and dietary practices, sustainable agriculture and natural resource management;
- Identify, pilot, and scale-up productivity-enhancing and green investments in specific sectors that are most relevant for job creation and job quality improvement, including sustainable tourism, as well as identify measures to integrate more smallholders, including rural communities and women, into local and regional markets;
- Promote a policy and regulatory framework to accelerate the application of sustainable energy solutions and clean technologies, and strengthen capacities to develop a national action plan for sustainable energy supply and environmentally-sound technologies; and
- Support a long-term strategy for ISID introducing innovative scalable technologies, including eco-industrial and agro-industrial parks; and
- Modernize local infrastructure development in both rural and urban areas to improve livelihoods and promote the creation of evidence-based policies for urban development.

Although, primarily referring to the establishment of transparent and efficient executive institutions, increased financial responsibility and accountability of state bodies and fair competition, Priority 2 of the UNDAF document also foresees activities that would enable a legal environment and expanded opportunities for volunteerism, a field where UNIDO can offer its assistance in the design and development of lifelong learning, ISID training and skills development to strengthen youth inclusion and community participation in sustainable development and governance. Through its advisory services, the Organization can also assist in the development of effective national policies to mainstream gender equality and women’s empowerment, that would, at a later stage, be implemented at a corporate level, thus ensuring institutions at all levels are more accountable and inclusive, respecting gender equality and human rights.

Priority 3 focuses on environmental protection, and with ISID relying heavily on policies addressing climate change and the conservation of natural resources, UNIDO has the mandate to engage actively and contribute towards the design and development of strategies that would make the Kyrgyz Republic more resilient to climate and disaster risks. In this respect, the PCP ties well with the strategies falling under UNDAF’s Priority 3 as they both foresee sustainable and inclusive natural resource management and risk-informed development. On one hand, UNIDO can pair efforts with other organizations in the field to strengthen the formulation of national and local action plans to address current issues with renewable energy sources, ecosystems and forest preservation. On the other hand, UNIDO can offer its support to local and national authorities to enhance their capacities for sustainable energy management and adopt clean, renewable and alternative energy technologies.

Social protection, health, and education are the focus of UNDAF’s Priority 4, and although primarily relating to SDG 3 and 4, they can also be addressed by UNIDO’s intervention in this field. In particular, the Organization’s contribution could be explored through its projects on improving infrastructure and related road safety policies as it is also one of the PCP focus areas. In addition, to align employees’ competencies to new employment opportunities and support to education, the Organization could help enhance non-formal education by putting in place mechanisms to help acquire skills in-demand in the industrialized Kyrgyz society.

The Kyrgyz Government has closely collaborated with the UN, civil society and other partners to identify the country's strategic priorities and build a framework that would help to address them. By designing and developing the PCP, UNIDO recognizes the importance of UNDAF 2018-2022 for the Kyrgyz Republic and its proposed strategies, and will work collaboratively with other agencies and partners to achieve the country's strategic goals.

4. PROGRAMME-LEVEL RESULTS

The PCP for the Kyrgyz Republic is currently in the programming phase. Initial results achieved during this phase are described in this chapter.

4.1 COORDINATION AND GOVERNANCE

The PCP management process will be steered by the Kyrgyz Government with the support of UNIDO. To effectively manage the PCP, the Government of the Kyrgyz Republic will set up a National Coordination Body (NCB) in 2019.

The NCB will be responsible for overall strategic direction of the PCP (including project prioritization) and translating leadership and policy decisions into actions. Given the importance of resource mobilization and close coordination between different national bodies, the NCB is expected to be chaired by the First Vice-Prime Minister of the Kyrgyz Republic. The NCB will comprise high-level representatives from relevant ministries and other key national institutions related to industrial development.

UNIDO's PCP Team will support the NCB in the coordination and implementation of the PCP, in close collaboration with the State Committee on Industry, Energy and Subsoil Use of the Kyrgyz Republic, which acts as the operational focal point responsible for all issues related to the preparation and launching of PCP Kyrgyzstan. The PCP Team will work from Bishkek and UNIDO's Headquarters, under the overall leadership of the PCP Programme Manager based in Vienna.

In addition to close collaboration with the Kyrgyz Government, UNIDO has also been closely cooperating with the Parliament of the Kyrgyz Republic in developing the Strategy for Industrial Development and its Action Plan, and in particular with the Working Group on industrial development, the PCP and cooperation with UNIDO, which is chaired by Mr. Ekmat Baibakpaev, member of the Kyrgyz Parliament. Other inputs were received from representatives of business associations, academia, representatives of international organizations and civil society, and entrepreneurs.

4.2 PARTNERSHIPS AND RESOURCE MOBILIZATION

The mobilization and pooling of a multitude of resources, networks, knowledge and ingenuity of various partners is aimed to bring about the necessary transformative change of the local economy and strengthen the results of UNIDO's technical assistance within the framework of the PCP. For successful funds mobilization, the resources will be raised based on communication with donors

and the development of project proposals/applications aligned with the priorities of the PCP. This will contribute to resource mobilization from various sources, including national resources, foreign aid and private investments.

As described above, UNIDO has already reached out to a large number of state bodies, as well as to international organizations, representatives of the private sector, academia and civil society in the process of developing the Strategy for Industrial Development and the associated Action Plan.

In addition, UNIDO has conducted a preliminary mapping of potential partners to support implementation of the PCP, including potential donors. This mapping will be included in the PCP Programme Document and currently lists the following potential partners and donors (non-exclusive):

National public institutions

- Office of the President of the Kyrgyz Republic
- National Parliament of the Kyrgyz Republic
- Ministry of Economy
- Ministry of Finance
- Ministry of Agriculture
- Ministry of Education
- Ministry of Foreign Affairs
- Ministry of Science and Education
- Ministry of Labour and Social Protection
- Ministry of Health
- Ministry of Transportation and Roads
- Ministry of Tourism
- State Committee on Industry, Energy and Subsoil Use
- State Agency for Environmental Protection and Forestry
- Investment Promotion Agency
- Agency of Primary Vocational Education
- State Agency for Architecture, Construction and Utilities
- State Agency for Local Government and Inter-Ethnic Relations
- State Agency for the Regulation of the Fuel and Energy Complex
- State Inspectorate for Veterinary and Phytosanitary Safety
- State Committee of Information Technology and Communication
- National Statistical Committee
- State Revenue Service
- State Border Service
- State Registration Service
- State Customs Service
- State Ecological and Technical Inspection
- National Bank of the Kyrgyz Republic
- Local authorities



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Financial institutions

- World Bank (WB)
- Asian Development Bank (ADB)
- European Bank for Reconstruction and Development (EBRD)
- Eurasian Development Bank (EDB)
- Russian-Kyrgyz Development Fund (RKDF)
- European Investment Bank (EIB)
- International Finance Corporation (IFC)
- Organization for Economic Co-operation and Development (OECD)
- Islamic Development Bank (IDB)
- International Islamic Trade Finance Corporation (ITFC)
- Global Environment Facility (GEF)

Multilateral and bilateral development partners

- European Union (EU)
- United States International Development Agency (USAID)
- Japan International Cooperation Agency (JICA)
- Korea International Cooperation Agency (KOICA)
- India-Kyrgyz Inter-Governmental Commission
- German Corporation for International Cooperation (GIZ)
- Russian Federation
- People's Republic of China
- Swiss State Secretariat for Economic Affairs (SECO)
- Turkish Cooperation and Coordination Agency (TIKA)
- Republic of Finland
- UK Department for International Development (DFID)
- Central Asian Regional Economic Cooperation (CAREC)
- State Secretariat for Economic Affairs (SECO)
- International Institute for Applied Systems Analysis (IIASA)

UN partner entities

- Food and Agriculture Organization (FAO)
- United Nations Development Programme (UNDP)
- International Labour Organization (ILO)
- International Organization for Migration (IOM)
- United Nations Economic Commission for Europe (UNECE)
- UN Environment (UNEP)
- International Fund for Agricultural Development (IFAD)
- World Food Programme (WFP)
- United Nations Conference on Trade and Development (UNCTAD)
- United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP)

Private sector

- Multiple national and international companies have been identified in PCP relevant sectors
- OJSC Elektricheskie Stantsii
- OJSC National Electric Network of Kyrgyzstan (NEGK)
- The Association of Fruit and Vegetable Enterprises of the Kyrgyz Republic
- The Association of Light Industry Enterprises of Kyrgyzstan, “Legprom”
- The Chamber of Commerce

4.3 RESULTS OF PCP ADVISORY SERVICES

In 2018, UNIDO conducted a comprehensive Country Diagnostic study identifying the main opportunities and bottlenecks for advancing industrialization. The final report was prepared and well-received by all involved counterparts, paving the way for the design and development of the PCP.

During 2018, the draft Strategy for Industrial Development of the Kyrgyz Republic were developed with the support of UNIDO’s advisory services and technical expertise, also building on the results of the PCP Kyrgyzstan Country Diagnostic. A draft of the Strategy was presented in August 2018 to the members of the national Steering Committee responsible for monitoring its development. The draft was well-received by the Kyrgyz side and the Government requested an Action Plan to be developed with concrete activities aimed at implementing the Strategy. The Strategy for Industrial Development and the associated Action Plan are planned for adoption by the Kyrgyz Government in 2019, and will serve as basis for the finalization of the PCP Programme Document.

4.4 TECHNICAL COOPERATION (TC) RESULTS

There are currently three ongoing UNIDO projects in the Kyrgyz Republic, two of which, i.e. “Programme for Country Partnership for Kyrgyzstan-PCP Kyrgyzstan” and “Strengthening quality standards compliance capacity of the fruits value chains”, are in their preparatory assistance phase. The project “Linking the tourism industry to productive activities in the Issyk-Kul region of the Kyrgyz Republic” is in its implementation phase.

4.4.1 TC RESULTS – PCP COMPONENT 1: AGRO-INDUSTRY

UNIDO is currently in the preparatory assistance phase of a project entitled: “Strengthening quality standards compliance capacity of the fruits value chains”. The project is planned to start in March 2019 and has the objective to facilitate Kyrgyzstan’s competitiveness by enhancing quality and standards compliance along the fruits value chain (VC) to facilitate market access for small and medium-sized enterprises (SMEs). As such, the project contributes to the (draft) outcomes and outputs of Component 1 on agro-industry of PCP Kyrgyzstan, which aim at enhancing the output, competitiveness, business performance and product quality of agro-processing entrepreneurs.

4.4.1.1 FUNDING FOR PCP COMPONENT 1

The fully-fledged project will have a budget of US\$ 1,000,000 (over three years).

4.4.2 TC RESULTS – PCP COMPONENT 3: TOURISM

UNIDO is currently implementing a project entitled: “Linking the tourism industry to productive activities in the Issyk-Kul region of the Kyrgyz Republic”. The project, which runs from July 2015 to June 2019, has the objective to stimulate economic growth and employment through promoting linkages between the tourism sector and related productive industries, while its immediate objective is to strengthen the processing capacity and market access of selected agro-industry clusters in the Issyk-Kul region. As such, the project mainly contributes towards the (draft) outcomes and outputs of Component 3 on tourism of PCP Kyrgyzstan, which aim at strengthening the linkages between tourism and the productive industries. Given its focus on agro-industries, the project also contributes to Component 1 on agro-industry.

4.4.2.1 FUNDING FOR PCP COMPONENT 3

The project has a budget of US\$ 1,793,153 (July 2015-June 2019).

5. COMMUNICATION

Communication activities have been ongoing during the PCP’s programming phase, including:

- PCP Kyrgyzstan webpage established;
- PCP Kyrgyzstan featured in ISID newsletter updates;
- PCP Focal Point participation in PCP communication/coordination group meetings;
- Draft Communication Strategy prepared;
- Participation of Mr. Emil Osmonbetov, Chairman of the State Committee on Industry, Energy and Subsoil Use of the Kyrgyz Republic, as a panelist in the Advanced Session of the Seventh ISID Forum; and
- Promotion of PCP during mission of PCP Programme Manager to Kyrgyzstan.



Mr. Emil Osmonbetov, Chairman of the State Committee on Industry, Energy and Subsoil Use of the Kyrgyz Republic, at Advanced Session of the Seventh ISID Forum, November 2018, Vienna.



6. UPCOMING MILESTONES AND MAJOR RESULTS EXPECTED IN 2019

The Strategy for Industrial Development and the associated Action Plan will be finalized and submitted to the Government in early March 2019. They are expected to be adopted by the Kyrgyz Government in 2019. Upon approval of the Strategy, the PCP Programme Document, together with a detailed logframe will be finalized. Once approved by the UNIDO Executive Board and the Kyrgyz Government, the PCP will be ready for signature and the subsequent start of the PCP's implementation phase.

Fundraising activities will already start before the official signature. Funds mobilization will be undertaken in close cooperation between of the Kyrgyz Government and UNIDO. Particular efforts will be placed on initiating activities in line with the Action Plan for the implementation of the Strategy for Industrial Development of the Kyrgyz Republic.

ANNEX 1: PCP PORTFOLIO OVERVIEW – UNIDO TC

ERP ID	PCP component # or cross-cutting area	Ongoing project / sub-programme title	Donor	Funding (US\$)
180061	C1 - Agro-industry	Strengthening quality and standards compliance capacity of the fruits value chains (preparatory assistance)	Switzerland	1,000,000
150245	C3 – Tourism	Linking the tourism industry to productive activities in the Issyk-Kul region of the Kyrgyz Republic	Russian Federation	1,793,153
160107	PCP coordination	Programme for Country Partnership for Kyrgyzstan-PCP Kyrgyzstan (preparatory assistance)	Partnership Trust Fund - Russia	215,496
			Sub-total:	3,008,649

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For more information, please visit:

<https://www.unido.org/programme-country-partnership/kyrgyzstan>



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