

INTERNATIONAL MONETARY FUND AND
THE INTERNATIONAL DEVELOPMENT ASSOCIATION

KYRGYZ REPUBLIC

**National Strategy for Poverty Reduction Preparation Status Report
Joint Staff Assessment**

Prepared by the Staffs of the International Development Association
and the International Monetary Fund

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1. The Kyrgyz Republic's Interim National Strategy for Poverty Reduction (I-NSPR) and Joint Staff Assessment (JSA) were distributed to the Executive Boards of the Fund and the Bank on June 13 and June 20, 2001, respectively, but were not discussed at that time owing to the cancellation of the Board meetings and the expiration of the PRGF arrangement.¹ Therefore, in order to inform the Boards of the Fund and the Bank of the activities undertaken during the period June 2001–October 2001 toward preparation of the full NSPR, the Kyrgyz authorities have prepared a brief Preparation Status Report. The status report covers a broad array of issues, including recent economic developments, past policy actions, and program goals already set out in the I-NSPR. However, it could have more fully outlined the specific steps taken toward the full NSPR.
2. The report indicates that some progress toward the full NSPR has been made already during the short period after the issuance of the I-NSPR. To institutionalize arrangements for the finalization of the NSPR and its implementation, a Secretariat to coordinate the work on the Comprehensive Development Framework and the Poverty Reduction Strategy has been established. At the same time, preparation of the PRSP has advanced in the participatory area. A broad dialogue with all stakeholders (the business community, non-governmental groups, academia, local governments, etc.) has been a hallmark of the Kyrgyz authorities' efforts to develop the poverty reduction strategy. These efforts have continued in the last few months, and the I-NSPR Preparation Status Report lists some of the key events that have recently been organized.
3. On the analytical front, poverty data based on the Living Standard Measurement Survey for the year 2000 are now available, and the authorities intend to update the poverty profile by the end of the year. This updated profile is expected to underpin the poverty

¹ Documents EBD/01/50 (I-NSPR) and EBD/01/51 (JSA) circulated to Fund Directors, and IDA/Sec M2001-0430 (I-NSPR and JSA) circulated to Bank Directors.

assessment that the authorities will undertake with the assistance of the World Bank. The poverty assessment will seek to explain the increase in the incidence of poverty in the Kyrgyz Republic, despite the economic growth, as well as the patterns and determinants of rural-urban poverty. This assessment should also permit an evaluation of the impact of public policy and public spending on poverty. The staffs of the Bank and the Fund are of the view that the planned focus of the poverty assessment is appropriate but the diagnostics may not be easy to convert into concrete policy measures, which underlines the urgency of the task. This work is critical for the development of the poverty indicators and targets to be included in the NSPR.

4. The Kyrgyz Republic's difficult fiscal situation places severe pressures on available resources, and in order to ensure that the country's growth prospects are not compromised, the authorities will need to very carefully prioritize and cost programs. Initial progress has been slow in this area, however. A thorough costing and prioritization exercise is expected to be undertaken in early-2002, with assistance provided by the World Bank in the context of the public expenditure review. This work will proceed simultaneously with work on the poverty assessment and draw on its results as they become available. As part of the costing and prioritization exercise, the authorities have engaged donors in a dialogue on streamlining the Public Investment Program. While a PIP monitoring and evaluation system has been set up, more support is needed to further develop it and the World Bank and other donors are assisting in this effort.

5. In their progress report, the Kyrgyz authorities state the need for extensive technical assistance and have in particular noted the preparation of the poverty assessment study, the costing and prioritization of programs, and the development of a PIP monitoring and evaluation system as key requirements. The staffs of the Bank and the Fund will try to facilitate timely delivery of such technical assistance. However, even with technical assistance, completion of the tasks listed above will strain the limited capacity of the government. Accordingly, the authorities have prudently extended their deadline for finalizing the PRSP to end-September 2002.

6. The staffs of the World Bank and the IMF consider that progress on the development of the full PRSP, as evidenced by the PRSP Preparation Status Report, is satisfactory and provides a sound basis for continued access to Fund concessional assistance and IDA adjustment lending. The staffs recommend that the respective Executive Directors of the World Bank and the IMF reach the same conclusion.