**PROGRAM INFORMATION DOCUMENT (PID)**

**CONCEPT STAGE**

Report No.: AB7463

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| **Operation Name** | Programmatic Development Policy Operation 2 |
| **Region** | EUROPE AND CENTRAL ASIA |
| **Country** | Kyrgyz Republic |
| **Sector** | General industry and trade sector (20%);General energy sector (20%);General finance sector (20%);Other social services (20%);Public administration- Financial Sector (20%) |
| **Operation ID** | P126274 |
| **Lending Instrument** | Development Policy Lending |
| **Borrower(s)** | KYRGYZ REPUBLIC |
| **Implementing Agency** | Ministry of Finance |
| **Date PID Prepared** | December 23, 2013 |
| **Estimated Date of Appraisal** | February 25, 2014 |
| **Estimated Date of Board Approval** | April 24, 2014 |

1. **Key development issues and rationale for Bank involvement**

World Bank development policy lending aims to help the borrower achieve sustainable growth and poverty reduction, through a program of policy and institutional actions. Development Policy Operations (DPOs), are provided in the form of non-earmarked loans, credits, or grants that support the country’s economic and sectoral policies and institutions. Development policy lending complements the Bank’s other financing instruments: investment lending, which provides project financing; program-for-results financing, which finances a borrower’s program of expenditures and disburses against results; and guarantees, which help mobilize private financing for critical projects and programs.

This Development operation to the Kyrgyz Republic is a second in a series of two operations and supports. The DPO series is an integral element in the Bank’s strategy for the Kyrgyz Republic. It was a central pillar of the FY12-13 Interim Strategy Note (ISN) and its focus on governance and private sector growth addresses some of the key challenges in the country. It is also aligned with the FY14-17 Country Partnership Strategy (CPS) and its objective of improving governance along three broad areas: i) public administration and service delivery; ii) business environment and iii) management of natural resources and infrastructure.

Under the proposed operation, IDA will transfer funds to the Government’s budget following the completion of specific reform actions by the Government as agreed in the DPO program.

1. **Proposed Objective(s)**

The main Program Development Objective is to lay the foundations for faster and more sustainable, as well as more equitable future growth. The program aims to achieve this objective through more transparent and accountable use of public resources, and an improved environment for doing business. The program is consistent with policy priorities highlighted in the National Sustainable Development Strategy.

1. **Preliminary Description**

The proposed DPO2 intends to support government efforts in the following two areas: i) improving public sector governance and ii) enhancing the business environment. The first pillar supports increased accountability and transparency in the use of public resources through improved public sector governance structures. More efficient use of public resources, both in the public administration and in the energy sectors, is expected to generate savings that will strengthen the sustainability of the fiscal accounts and allow re-allocation of spending to priority areas and improve quality of public services, which will help reduce poverty and promote shared prosperity. The program under the second pillar supports actions to address the constraints to a more vibrant development of the private sector.

1. **Poverty and Social Impacts and Environment Aspects**

*Poverty and Social Impacts*

The overall framework proposed by this project is aligned with the World Bank’s goals of reducing poverty and boosting shared prosperity. Achievement of these goals rests on the three pillars of growth, equity, and sustainability. These in turn require appropriate fiscal policies, functioning public institutions and private markets, and effective risk management. Thus, a focus on governance and lowering barriers to economic activity is critical in promoting greater equity and inclusiveness of the country’s economic progress, through improving the institutional basis for economic growth.

The areas of policy reforms supported under the DPO2 are well aligned with the areas of concern for the Kyrgyz population. The consultations with the civil society undertaken as part of the preparation of the FY14-17 CPS identified that public sector governance and reform is a top development priority, as are business climate issues, such as inefficient financial sector, corrupt business registrations and inspections.

*Environment Aspects*

The specific policies supported by the DPO program will not have adverse effects on the environment and natural resources.

1. **Tentative financing**

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| --- | --- |
| Source: | ($m.) |
| BORROWER/RECIPIENT | 0 |
| International Development Association (IDA) | 25 |
| Borrower/Recipient |  |
| IBRD  Others (specify) |  |
| Total | 25 |

1. **Contact points**

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