

# COUNTRY REPORT ON INFRASTRUCTURE AND FINANCE KYRGYZSTAN

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## **I. COUNTRY INFRASTRUCTURE AND POLICY DIRECTIONS**

Kyrgyzstan uses the State Investments Program whose provisions are annually included in the law on the republican budget. The Program contains policies on developing various infrastructure facilities throughout the country such as energy, roads, heating, etc.

The main direction for infrastructure investment is road construction although recently there has been a shift to energy sector infrastructure. Due to the budget deficit the Government launches almost all infrastructure investments through the Public Investment Program which is mainly financed by international financial organisations.

### **1.1 IMPLEMENTATION PROCESS**

Firstly, the ministry prepares a project proposal, develops a feasibility study, and other necessary documents, and submits it to the Ministry of Finance. The Ministry of Finance studies the proposal and makes a decision for or against including it into a draft law on the republican budget whilst taking into consideration the suggestions of international donors and the Ministry of Economic Regulation. The Government is responsible for the final decision in allocating necessary funds through the system of State Investment Programs. Finally, if a project is approved, it is financed by a state budget or through external borrowing.

### **1.2 LEGAL AND REGULATORY FRAMEWORK FOR INFRASTRUCTURE**

Each line ministry is responsible for working out the sector programmes, e.g. road sector development, energy development, etc. All of these programmes are part of the common country strategy, like Country Development Strategy 2009-2011. The new Government, formed by the parties that won parliamentary seats, is likely to set out its own vision of the infrastructure development frameworks. Currently, the Ministry of Economic Regulation is working on a new country development strategy; the first draft is due by November 1.

The Law on Public Private Partnership, dated 11 May 2009 #154, is a frame law which defines the relationship between state and public in joint project implementation. So far there are no examples of successful or recorded cases of PPP projects implementation in Kyrgyzstan.

## **II. GOVERNMENT PERSPECTIVE ON THE ROLE OF PRIVATE SECTOR INVOLVEMENT**

The Ministry of Economic Regulation is now working on the draft law on a PPP that is to replace the existing PPP law that turned out to be ineffective. This work is being carried out

in a close co-operation with the private sector. The Ministry of Economic Regulation established the working group to develop a new PPP law.

## **2.1 RESPONSIBLE AGENCY FOR PRIVATE SECTOR INFRASTRUCTURE PROCUREMENT**

There is no specific agency responsible for PPP and the function of agency for private sector infrastructure procurement is done by the Government of the Kyrgyz Republic or local government. Right now there is a proposal to create an investment promotion agency which will promote the PPP principles for various projects.

## **2.2 LEGISLATIVE CONSTRAINTS REGARDING PRIVATE SECTOR PARTICIPATION**

Under the law, initiation of PPP proposals can come from one of two directions; either from the Government of the Kyrgyz Republic or a private entity. In the first scenario the Government announces a list of the projects and invites private companies to participate in bidding. In the second scenario, a private company has the right to initiate a PPP project directly to the Government.

There are no restrictions for foreign investors in their commercial activities in the Kyrgyz Republic. The Law on Investments grants national treatment to foreign businessmen. The only restricted ownership right is that of land ownership. However, a foreign company can lease a land plot.

## **III. SOURCES OF FINANCING**

The international donors' community is represented in Kyrgyzstan by World Bank, Asian Development Bank, European Bank for Reconstruction and Development, KfW, GTZ and others.

The World Bank deals mainly with supporting the energy sector; the ADB and Islamic Development Bank are involved in rehabilitating the automobile roads and building new ones.