Jointly Building Belt and Road towards SDGs

The case of the Kyrgyz Republic

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GENERAL INFORMATION

Official name:
Kyrgyz Republic

Form of government:
Parliamentary Republic

Language:
Kyrgyz (state)
Russian (official)

Currency: KGS
1 USD = 69,85 KGS
1 EURO = 80,05 KGS

Financial and cultural centers:
Bishkek city and Osh city

INTRODUCTION OF THE KYRGYZ REPUBLIC

Capital: Bishkek

Total territory: 199,9 thous. sq. km

Population: 6,4 million

Average age: 27 years

Time zone: UTC +6

Climate: moderate continental
**The Kyrgyz Republic** is in the center of Eurasian continent and has advantageous geographical location that makes it possible to access large markets of the neighboring countries. The Republic takes strategic position between the CIS and Asia-Pacific Economic Cooperation Society, being the one of the main transit routes through Central Asian corridor. The Republic builds mutual trust relations not only with the countries of the region, but also with the far abroad countries.

- Goods from the Kyrgyz Republic have the access to the **markets of the countries with population of more than 2 billion people.**
- **The Kyrgyz Republic has received preferential trade regime GSP+,** which means more than 6,000 items of Kyrgyz origin will be exported to European Union countries at **zero customs duty.**
- **The Kyrgyz Republic has entered into Eurasian Economic Union of Russia, Kazakhstan, Belarus and Armenia,** which provides a freedom of movement of goods, services, financial and human capital across the borders of member states.
STRATEGIC LOCATION AND BENEFICIAL CO-OPERATION

THE KYRGYZ REPUBLIC IS THE PARTICIPANT OF THE FOLLOWING INTERNATIONAL ASSOCIATIONS:

- Multilateral Investment Guarantee Agency (MIGA)
- International Development Association (IDA)
- Shanghai Cooperation Organization (SCO)
- United Nations
- World Trade Organization (WTO)

IN RELATION TO ITS TRADE PARTNERS, THE KYRGYZ REPUBLIC APPLIES THE FOLLOWING TRADE REGIMES:

- CIS countries: Free Trade Regime
- EAEU countries: Common Economic Space
- WTO countries: Most Favoured Nation Treatment
- EU countries: Generalised Scheme of Preferences (GSP+)
GROSS DOMESTIC PRODUCT (USD BILLION)

In 2015, GDP decreased, due to the strengthening of the US Dollar in the world market. However, the annual GDP growth in absolute terms is 104%.

GDP PER CAPITA (USD)

Stable growth of living standard, as the index of dynamically developing economies.
BASIC MACROECONOMIC INDICES

FOREIGN DIRECT INVESTMENTS INFLOW (MLN. USD)

The Kyrgyz Republic makes efforts towards creation of favourable business climate. Owing to these efforts, the volume of the foreign investments for the last 10 years has increased more than 4 times.

UNEMPLOYMENT LEVEL (%)

According to official statistics, the unemployment level for the last 5 years averaged at 7.9%. In 2016, it fell by 0.4% to the level of 7.2%, which is the lowest indicator in the last 10 years.
INTERNATIONAL TRADE

The Kyrgyz Republic was the first country among the CIS countries that joined the WTO in 1998. Currently, the Kyrgyz Republic has the most liberal trade conditions in Central Asia.

During the last 10 years the Kyrgyz Republic turnover with countries worldwide has been exceeding the GDP level indicating economy openness.

The Republic traded with 145 countries worldwide, exported goods to 82 countries in 2017. Export was oriented to both neighboring countries and far-abroad countries.
The Kyrgyz Republic is a lower middle-income country with a HDI of 0.672 in 2017. As a landlocked country, it relies on the agriculture sector, which contributes 25% of GDP and provides approximately 30% of employment. Gold constituted 25% of industrial production and 48% of exports. Foreign remittances from immigrant workers accounted for 30% of GDP. In terms of private sector development, the economy is dominated by small economic entities that typically operate in the informal sector. The country joined the Eurasian Economic Union (EEU) in 2015, thus expanding its access to international trade and foreign investments; It also benefited from China’s increased FDI to Central Asia.
• Weak economic governance and perceived corruption are key challenges to development.
• Gender inequality is another outstanding issue, especially in terms of education attainment, employment and political participation.
• According to the MDG progress report, the Kyrgyz Republic has reached benchmark levels for several indicators such as extreme poverty reduction.
• But falls behind in issues including maternal and child mortality, gender equality, fighting HIV/AIDS, and access to clean water and sanitation.
• Kyrgyz Republic declared full support for the comprehensive International development agendas up to 2030 and Kyrgyzstan is an active participant in regional events to discuss SDG.
• Kyrgyzstan is in the process of aligning its national development strategies with the UN 2030 Agenda for Sustainable Development.
• Since 2013, Kyrgyzstan has been actively engaged in developing the post-2015 development agenda through national consultations and high-level conferences attended by government, development partners, CSOs, the private sector and international organizations on the process of achieving the MDGs and advancing the SDGs.
The medium-term strategy for 2018–2022—Unity, Trust and Creation—has four priorities:

(i) raising the well-being of the nation by growth through macroeconomic stability, improving connectivity with regional markets, creating a conducive investment policy, and implementing a program for SMEs;

(ii) developing agriculture and industry focusing on diversification, in addition to key sectors such as energy, transport, mining, tourism, textiles, and construction;

(iii) enhancing human development outcomes and deepening unity among ethnic groups; and

(iv) undertaking public administration reforms to improve service delivery. Gender parity, environment, and deployment of technologies are crosscutting priorities.
The government prepared the country’s long-term development strategy till 2040, which will aim to create a strong economy, ensure high quality of life, develop competitive human capital, and contribute to regional cooperation. Key national initiatives are

(i) Taza Koom, an ICT program on digital transformation;
(ii) development of regions, focusing on 20 urban growth nodes starting with 5–6 urban centers;
(iii) human capital development;
(iv) law enforcement reforms for safe cities; and
(v) constructive regional cooperation and integration.

Launched in April 2017, Taza Koom will link the government, businesses, and citizens to reduce corruption and increase transparency and growth.
The BRI and its infrastructure investments have the potential to contribute to sustainable development and to achieving many of the Sustainable Development Goals, including:

- SDG 9 (industry, innovation and infrastructure),
- SDG 6 (clean water and sanitation),
- SDG 7 (affordable and clean energy),
- SDG 13 (climate action),
- SDG 14 (life below water) and
- SDG 15 (life on land).
The cooperation between the two countries within the framework of the BRI is based on:

1. reconstruction of existing railways and highways in order to provide delivery of the Chinese goods to Europe, the Caucasus and the Middle East;
2. construction of new railways and highways, pipelines and logistics infrastructure;
3. ensuring transportation of energy resources, particularly Turkmen and Uzbek natural gas, to China;
4. relocation of the Chinese production facilities to Kyrgyzstan in order to meet the demand for Chinese goods in the Eurasian Economic Union counties and Kyrgyzstan's domestic market;
5. providing Chinese investments in various fields of Kyrgyzstan's industries, especially transport and energy sectors;
6. improving cooperation in the fields of industrial production, agriculture, energy production, exploration of natural resources and tourism;
7. strengthening border cooperation by establishing a free trade zone.
DISCUSSIONS AT THE NATIONAL WORKSHOP

The participants exchanged information on BRI activities and discussed several questions on following topics:

- Transport infrastructure and transit
- External debt to China
- FDI
- Migration and demographic changes
- Trade policy
- Macroeconomic model
- Database.
• Managing risks is vital for BRI to achieve sustainable development objectives.
• BRI related projects encounter political, regulatory, macro-economic, social and environmental risk factors throughout their lifecycles, which encompass planning, development, construction, operation and termination phases.
• Risks can materialize at local, regional, national and transnational, but also sectoral level.
• Risks include regional political and social instability, such as the Kyrgyz ethnic violence, and increasing resource nationalism.
SUGGESTED ACTIONS TO MAXIMIZE BENEFITS AND AVOID RISKS

• The BRI members should focus on proper reporting about BRI projects, provide systematic discussion of possibilities and risks, opportunities and challenges.
• Corporate governance, true diversification, fiscal management, and commercial feasibility of the projects will be a key factor in determining its impact.
• For BRI to be successful in the way China suggests, it must both stimulate industry that channels more trade to China and allow for the diversification of trade away from China.
• For local economies to truly benefit from Chinese investment, it needs to be accompanied not only by employment but also by training, professional development, and Corporate Social Responsibility activities.
• To achieve a low-risk environment and act as described above, the BRI can draw on studies on Special Economic Zones (SEZ) to help realize their potential to play a catalytic role in industrialization, diversification and trade integration in partner countries.

• The development impact of investment will depend on both its quality and quantity. In this regard, the role of environmental and social safeguards for infrastructure projects is pivotal for securing the overall vision of BRI.

• Evidence-based policymaking, derived from quality research and applied analysis, will be instrumental in producing better policy options, reducing poverty, stimulating economic growth and enhancing the quality of life in the country.
THANK YOU!

INVEST IN THE KYRGYZ REPUBLIC

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