

Data Sheet

USAID Mission:	Kyrgyzstan
Program Title:	Small and Medium Enterprises
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	116-0131
Proposed FY 2004 Obligation:	\$12,575,000 FSA
Prior Year Unobligated:	\$904,000 FSA
Proposed FY 2005 Obligation:	\$9,950,000 FSA
Year of Initial Obligation:	2001
Year of Final Obligation:	FY 2006

Summary: USAID's program to improve the environment for the growth of small/medium enterprises (SMEs) includes training and technical assistance to increase opportunities to acquire business information, knowledge, and skills, support more responsive financial institutions, instruments, and markets, and improve the implementation of laws and regulations.

Inputs, Outputs, Activities:

FY 2004 Program:

Business Skills and Information (\$5,065,000 FSA, \$414,226 FSA carryover). USAID's Enterprise Development Project (EDP) will deliver business, consulting, and trade advisory services to approximately 120 firms in Bishkek and Osh. Assistance will focus on technical advice and training to farmers, agro-input retailers, and food processors. EDP services will help clients to increase sales and productivity by 18% and 10%, respectively, on average. EDP also will continue training, testing, and certifying accountants in International Accounting Standards (IAS). EDP will help Kyrgyz accountants to earn the Certified Accounting Practitioner and Certified International Professional Accountant designations. Principal contractors/grantees: Pragma Corporation (prime), Winrock International (prime), MASHAV (prime), and International Fertilizer Development Center (prime).

USAID will continue providing support to strengthen the quality of higher education by training professors in modern business and economics and working with administrators at universities to build management capacity. USAID, in partnership with Junior Achievement International (JAI), will provide business and economics training to teachers and build administrative capacity in JAI local chapters. Principal contractors/grantees: Carana Corporation (prime) and JAI (prime).

Access to Capital (\$1,765,000 FSA, \$160,000 FSA carryover). USAID will provide financing for SMEs and continue supporting its partnership with the European Bank for Reconstruction and Development's (EBRD's) Micro and Small Enterprise Finance Facility by training loan officers that oversee the \$15.3 million credit line for SMEs. USAID also will provide technical assistance and lending capital to developing microfinance institutions. Principal contractors/grantees: Agricultural Cooperative Development International/Volunteers for Overseas Cooperative Assistance (ACDI/VOCA) (prime) and EBRD (prime).

Improve the Implementation of Laws and Regulations (\$5,745,000 FSA, \$329,680 FSA carryover). USAID's Trade Facilitation and Investment (TFI) Project will work with associations and government to reduce investment constraints, particularly in the Ferghana Valley, where customs procedures severely inhibit the flow of trade. TFI will also begin assistance to the Kyrgyz quality standards regulator to help it make the transition to a more service-oriented organization. Principal contractor/grantee: Pragma Corporation (prime).

USAID will assist the National Bank in developing a legal strategy to improve enforcement of regulations and will provide much-needed training in banking supervision. Additionally, USAID will place greater

emphasis on strengthening national capacities to formulate and implement budget and tax policies. As recommended by a USAID-funded evaluation, USAID will work with counterparts to improve the tax code. Principal contractor/grantee: BearingPoint (prime).

USAID and Kyrgyz legal professionals will improve civil and commercial laws and build capacity to implement those laws in a fair, transparent way. Actions will include training the judiciary in civil, criminal, and commercial law, preparing and disseminating legal information, and developing an administrative procedures act. Principal contractor/grantee: ARD/Checchi (prime).

USAID's work to facilitate land privatization will continue with the Kyrgyz Land Reform Project. The project will train individuals in rural communities to resolve land disputes and support existing NGO partners to conduct land rights awareness workshops. The project will also assist entrepreneurs to purchase municipally-owned land through the support of eight land sales centers and conduct awareness campaigns. Principal contractor/grantee: Chemonics International (prime).

FY 2005 Program:

Business Skills and Information (\$4,252,000 FSA). The EDP will continue delivering advisory services and training, focusing on the implementation of IAS in client businesses. There will be efforts to find synergies between EDP and the Resource Network for Economics and Business Education (EdNet) by developing the expertise found in academic institutions to build local consulting capacity. Building export capability in Ferghana Valley businesses and trade links with larger markets also will be a priority. Principal contractors/grantees: Pragma Corporation (prime) and others to be determined.

Access to Capital (\$2,020,000 FSA). Assistance to microfinance institutions will emphasize sustainability and the conversion to deposit-taking, micro-credit companies under the new microfinance law. Work with the National Bank will further implement Basel Core Principles to improve supervisory capabilities, to promote risk-based management and good corporate governance, and to enforce the regulatory ability of the National Bank. Principal contractors/grantees: ACDI/VOCA (prime) and others to be determined.

Improve the Implementation of Laws and Regulations (\$3,678,000 FSA). TFI will continue its activities, specifically in forming partnerships with associations and government to improve cross-border trade in the Ferghana Valley. Work with the quality standards regulator will be a key part of the project. USAID expects to have a revised tax code by the end of FY 2004. The program will shift focus to implementing regulations and educating businesses and government on new provisions. USAID may expand assistance to improve the fiscal capabilities of regional municipalities if budget decentralization continues. Principal contractor/grantee: Pragma Corporation (prime).

Performance and Results: USAID provided business and trade advisory services to 134 businesses in Bishkek; they obtained a combined \$1.6 million in financing and a cumulative \$1.5 million growth in sales, a 35% increase from 2002. With USAID assistance, international experts and members of a national level working group completed a World Trade Organization-compliant draft Law on Technical Regulations, which will significantly reduce product certification requirements for SMEs and help transform the Kyrgyz quality standards regulator into a modern organization. USAID, in partnership with the International Monetary Fund, was pivotal in creating the Large Taxpayer Unit, which will improve data collection and taxpayer services, thereby improving revenue collection. Finally, our assistance was instrumental in the introduction, design, approval, and implementation of a property tax in Kyrgyzstan.

By program's end, small and medium enterprises will be more competitive, and reforms to the regulatory and legal environment will help foster their further development. The sustained growth of SMEs is critical to employment and income generation. Business associations will be effective voices for policy change and capable of providing quality services to their members.