

Country Assistance Program
for
the Kyrgyz Republic

Government of Japan
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1. Principles and Objectives of Assistance to the Kyrgyz Republic

(1) Foreign Diplomacy

i. Geopolitical Importance of Central Asia and the Kyrgyz Republic

With its rich energy and mineral resources and its proximity to major nations on the Eurasian continent—Russia and China—the Central Asian region including the Kyrgyz Republic is geopolitically important. Since the collapse of the Soviet Union, Japan has consistently provided support for the “nation building” efforts of the countries of Central Asia, and has worked to strengthen bilateral relations with these countries. Japan has also promoted intra-regional cooperation in Central Asia through the “Central Asia plus Japan” Dialogue. Thus, it is appropriate that it continues these activities.

In addition to gold and rare metals, the Kyrgyz Republic has abundant water and other resources, which are important to maintaining and developing good relations with the countries of the region. However, it has yet to achieve stable development politically and economically. In its diplomacy, the Kyrgyz Republic has made every effort to maintain an optimal balance in its relations not only with its neighboring countries in Central Asia but also with major nations including China, with which it shares an extensive border, and Russia and the United States (US), which have military bases in the Kyrgyz Republic.

The Kyrgyz Republic has a strong affinity with Japan and cooperates with Japan’s policies on Central Asia. It, therefore, is positioned as a country to be given importance for Japan to secure its diplomatic presence not only in the Central Asian region but in the international arena as well.

ii. Emphasis on Universal Values (Democracy and market economy)

Since the collapse of the Soviet Union, Japan has consistently supported democratization of the Kyrgyz Republic and its transition to a market economy. Compared with other Central Asian countries, “freedom of speech” is widely guaranteed in the Kyrgyz Republic, and support for democratization in the country by the international community including Japan has so far achieved certain results. Regarding the transition to a market economy, the poor performance of the real economy in terms of production and consumption and still high rates of poverty and corruption are noted, and there is need for further development of legal institutions. However, the Kyrgyz Republic can be praised for making more progress than other Central Asian countries in democratization and transition to a market economy.

Further assistance in these areas will represent Japan's political statement in sharing universal values with the countries of Central Asia.

iii. The need to Promote Intra-regional Cooperation in Central Asia

In addition to its geopolitical importance, Central Asia faces issues that cannot be easily dealt with by a country alone, including poverty, drugs, and international terrorism such as Islamic extremism, but require intra-regional cooperation. In other words, the stability and development of the Kyrgyz Republic is mutually linked with that of neighboring countries in the Central Asian region. In addition, the destabilization of the Kyrgyz Republic would not only have an impact on the region, but it also could exert a negative influence on the security of the international community as a whole since destabilization would be linked to conditions in neighboring Afghanistan, which is currently struggling with stabilization and democratization. In view of these issues, it is necessary for Japan to further strengthen its efforts to promote intra-regional cooperation among Central Asian countries and Afghanistan within the framework of the "Central Asia plus Japan" Dialogue. Japan must also provide support for the Kyrgyz Republic for stabilization, democratization, and transition to a market economy, contributing to the stability of the international community.

(2) Development

i. Weakness of Kyrgyz Economy

Up to now, Japan has consistently supported the country's reform efforts in its transition to a market economy. Unlike Kazakhstan, Uzbekistan, and Turkmenistan, which have abundant natural resources such as oil and natural gas, the Kyrgyz Republic is poor in natural resources other than water resources, electric power, gold, rare metals, coal and stone. In terms of its real economy, the country's service industry is currently experiencing rapid growth, but this does not serve as an engine for economic growth, and at five million, the country's population is small and the population density is low. As a whole, therefore, the country's economy is weak. Moreover, weak governance, manifested in the form of corruption and domestic instability obstructs economic growth and the formulation and implementation of appropriate socioeconomic policies.

As for the country's macroeconomic figures for 2007, the real GDP increased to 8.2%, -with annual growth rates of 7.3% for industrial production, 1.6% for

agricultural production, 3.7% for capital investment, 9.4% for commerce, and 10.2% for consumer price index. Looking at the performance of the Kyrgyz economy between 2000 and 2007, the average annual growth rates were as follows: GDP 4.4%, industrial production 0.9%, agricultural production 2.4%, capital investment 9%, and commerce 11.1%, and the consumer price index 6.9% (Commonwealth of Independent States [CIS] statistics). In recent years, production at the Kumtor gold mine, the country's main industry, has declined, but the construction, service and banking sectors have grown thanks to the economic growth of neighboring countries including Russia, China and Kazakhstan. In the area of trade, deficits have grown yearly since 2003, and in 2007 stood at US\$1.6 billion (National Statistical Committee for the Kyrgyz Republic). Moreover, despite receiving debt rescheduling within the Paris Club framework in 2002 and 2005, the Kyrgyz Republic currently has an external debt of more than US\$2.2 billion, or 52% of GDP.

ii. Establishment of Human Security

Annual per capita GDP remains markedly low in the Kyrgyz Republic at US\$590 (2007 World Bank statistics) since its independence, although the poverty in the country has been alleviated. The country's poverty rate improved to 43.1% in 2005 from 47.9% in 2003. In addition, the percentage of the population classified as extremely poor is declining year by year, from 32.9% in 2000 to 17.2% in 2003 then to 11.1% in 2005. Nevertheless, there is a notable gap between urban and rural areas in the percentage of poor population: 55.5% of the population of rural areas is categorized as poor, compared to 28.3% of that of urban areas (2004).

The Kyrgyz government recognizes the importance of strengthening support for the poor and developing the social sector and promotes measures such as a reform of health care by introducing the Sector Wide Approaches (SWAs) under cooperation among main aid donors. The Kyrgyz government, however, is unable to deal appropriately with many of the issues in the social sector in terms of finance and capacity, and therefore the situation for the socially vulnerable including the poor is harsh. Japan, placing importance on the establishment of human security, will continue its support for the Kyrgyz Republic to solve various issues the social sector faces, not only bilaterally but also through international organizations.

iii. Active Support for the Kyrgyz Republic by the International Community

Since gaining independence, the Kyrgyz Republic was, among the former republics

of the Soviet Union, one of the first to work toward democratization and transition to a market economy, and was the first country of the former Soviet Union to join, in 1998, the World Trade Organization (WTO). Having been praised as “Central Asia’s honor student” by Western countries, the international community has up to now actively supported the Kyrgyz Republic. In addition, the Kyrgyz Republic participates in the international aid community (World Bank’s Comprehensive Development Framework [CDF], Poverty Reduction Strategy Papers [PRSP], the International Monetary Fund (IMF)’s Poverty Reduction and Growth Facility [PRGF], and the Paris Declaration on Aid Effectiveness), and has channeled efforts into economic growth, democratization, and transition to a market economy with the cooperation of the international community. These efforts by the Kyrgyz Republic have recently led to more active aid coordination for supporting the country.

iv. Maintaining and Strengthening Support for the Institutional Transition to a Market economy

While in terms of its real economy, the Kyrgyz Republic is behind neighboring Kazakhstan that is rich in natural resources, in terms of institution-building, the country is ahead of other Central Asian countries in economic liberalization through support for the transition to a market economy provided by the international community including Japan, and through the country’s own efforts. By maintaining and strengthening support for economic liberalization, Japan believes that the Kyrgyz Republic can establish itself as a model case of the institutional transition to a market economy in Central Asia.

2. Basic Policy and Direction of Assistance

(1) Overall Goals of Assistance

i. Up to now, Japan has devoted its efforts to improving the infrastructure for economic development of the Kyrgyz Republic. These include the development of transportation infrastructure through Yen Loan and Grant Aid, support for the transition to a market economy by means of human resources development through Technical Cooperation, and the provision of agricultural equipment through Grant Aid for Increased Food Production. At the same time, Japan has also provided assistance in areas that require urgent support from the perspective of human security (e.g., provision of medical equipment). At present, in the health care sector, a reform of the health care system through SWAp is undertaken with the support of

other donors. In view of these circumstances, and also from the perspective of taking a “selection and concentration” approach, Japan’s future support to the Kyrgyz Republic will focus on solidifying the foundation for the economic growth of the Kyrgyz Republic and providing support that will lead to the country’s economic growth and subsequent autonomous growth.

ii. Considering this, Japan will provide support setting the following as its overall goals:

Promoting poverty reduction through economic growth based on a free market economic principle.

The country’s small economy is the most critical economic issue in reducing poverty, building infrastructure, and improving the lives of its citizens. In addition, in order for the country to achieve sustainable development and an autonomous economy, support that strengthens the weak Kyrgyz economy is above all necessary. For this reason, the immediate priority in providing support to the Kyrgyz Republic will be to increase GDP through economic growth by means of a transition to a market economy. This goal is consistent with the Country Development Strategy 2007-2010 (CDS) (corresponding to PRSP2), and ownership by the Kyrgyz government can also be expected in pursuing this.

However, an increase in GDP will not necessarily immediately benefit the poor and socially vulnerable people. At present, the poor and socially vulnerable are facing various issues associated with the social sector. Therefore, the importance of providing a social safety net in supporting the Kyrgyz Republic must not be forgotten.

In addition, Japan will direct efforts to promoting intra-regional cooperation through the “Central Asia plus Japan” Dialogue as it recognizes the effectiveness of such a regional approach in overcoming obstacles deriving from the small economy.

(2) Approaches for Providing Assistance

i. In order to respect the ownership of the Kyrgyz government with a view to enhancing the effectiveness of assistance, consistency with the Kyrgyz government’s economic and social policies is necessary. The Kyrgyz government discusses in CDS that it must improve productivity and expand GDP by revitalizing its tired industries, increasing employment, and invigorating and promoting efficiency of industries in order to improve the severe conditions of poverty in the country. At the same time, it needs social security policies that ensure that economic growth lead to improvement

in the lives and income of the poor. Therefore, Japan will endeavor to provide support consistent with CDS and to develop maximum ownership from the Kyrgyz side. Within the CDS framework, the priority areas for development are: (i) enhancing economic potential (energy, mining, agriculture and agricultural processing industry, promotion of small- and medium-sized businesses, construction, tourism, transportation, and the development of communications, information and innovative technologies), (ii) measures to prevent corruption (political reform, deregulation of economy, reform of public administration, capacity building of public and municipal servants, legal reform), (iii) human and social development (education, health care, social protection and insurance, labor market and migration, culture), (iv) environmental sustainability (environmental safety, disaster prevention). Japan will strive to have its support consistent with these areas.

ii. Because development issues of the Kyrgyz Republic are diverse and of a serious nature, Japan will carefully observe the Kyrgyz government's development strategy and trend of assistance by other donors, as well as examine sectors in which Japan's ODA has a comparative advantage in order to implement effective and efficient development assistance. In concrete terms, Japan will narrow down the priority areas of assistance using the "selection and concentration" approach. Japan will also promote coordination among schemes and strengthen coordination with support through trust funds Japan has established in international organizations so that each support project produces synergies. Japan will adopt this approach beginning the stage of project formulation. In this way, Japan will coordinate in providing assistance with the Kyrgyz government, donor countries and international development finance organizations.

iii. Because the divided labor system imposed during the Soviet era has ceased to function since the Central Asian countries became independent, it is appropriate to provide support for building an effective alternative system in the region. Moreover, in dealing with a number of development issues, joint efforts are necessary with countries within the region facing similar issues. Japan is working to promote intra-regional cooperation among Central Asian countries through the "Central Asia plus Japan" Dialogue with regard to such issues as improving transportation infrastructure, strengthening border control capacity (measures against terrorism and drugs), disaster prevention, environment, trade and energy. By utilizing the

framework of this dialogue to the fullest extent when providing assistance to the Kyrgyz Republic and achieving intra-regional cooperation, more enhanced effect of assistance can be expected.

3. Priority Areas for Assistance to the Kyrgyz Republic

In its support to the Kyrgyz Republic up until now, Japan has promoted democratization and transition to a market economy and placed importance on the establishment of human security. For instance, it has contributed to economic growth by improving transportation infrastructure through Loan Aid and has actively provided medical equipment to major medical facilities through Grant Aid as stated in 2.(1). The Kyrgyz government, which formulated its Country Development Strategy (CDS) and recognizes the country's economic weakness, believes that increasing its economic potential is its top priority issue (2. (2) i.). Japan's support should therefore serve as the "catalyst" for promoting self-help efforts toward economic development and the achievement of the MDGs.

Based on this approach, and taking into account Japan's assistance in the past and its comparative advantage over other donors, the following priority areas of support have been set for achieving the overall goal of "poverty reduction through economic development based on the transition to a market economy."

(1) Development of Infrastructure for Economic Growth

i. Development of Transportation Infrastructure

The development of transportation infrastructure is an important prerequisite for the development of economic activities. Particularly for an inland country such as the Kyrgyz Republic, promoting distribution through the development of transportation infrastructure is crucial to economic development. Situated in the center of the Eurasian Continent and at the intersection of the trails running east-west and north-south, the Kyrgyz Republic has historically been in an important location in terms of traffic. However, since it is mountainous and land-locked, without the development of transportation infrastructure, it is virtually a remote country with no exit to Asia or Europe. In this case, poverty leads to instability, triggering a vicious cycle of poverty and instability. With infrastructure development, on the other hand, distribution between east-west and north-south via the Kyrgyz Republic would expand, and since the Kyrgyz Republic is now a WTO member country, it could become the "gateway to Central Asia" and a "distribution hub" in a positive sense. In

providing support for the development of transportation infrastructure, Japan will keep in mind regional cooperation with the entire Central Asia and the surrounding countries.

In addition to the considerations mentioned above, road conditions have deteriorated since the Soviet collapse, and it is particularly difficult to access remote regional areas when disasters (landslides or avalanches) occur or when snow accumulates in the winter. In the Kyrgyz Republic, where minor regional roads are vulnerable, main highways are crucial as the community road for rural residents, and its inaccessibility is causing rural people hardships in their daily lives and in economic terms. Meanwhile, with a rapid increase in trade with neighboring countries such as China and Kazakhstan suggests that the development of transportation infrastructure has ripple effects on other areas of the economy such as mining and manufacturing, tourism, agriculture, and on regional development, and becomes a precondition for enhanced intra-regional cooperation in each of these sectors.

For the immediate future, Japan's assistance will focus, as much as it can, on bridge construction, provision of construction equipment for road repair, and strengthening of road maintenance systems. Keeping in mind the possibility of providing Yen Loans in the future, Japan will consider the construction of main automobile roads and railroads, making certain that the assistance is consistent with the intentions of the Kyrgyz government and cooperation of other donors. Other important priorities are improving systems for promoting the efficiency of road administration, standardizing customs procedures, promoting intra-regional distribution, and developing human resources for these areas.

ii. Agricultural Development

As more than 90% of the land is mountainous, the climate is cold, and areas of high consumption are distant, agriculture in the Kyrgyz Republic is not particularly competitive internationally. Domestically, however, agriculture represents an important industry that accounts for 35% of the country's GDP. Some farm products are exported to neighboring countries. In addition, agriculture is an important industry for the country's social stability because it employs about 60% of the country's labor force. Agricultural sector could serve as a basis of industrial development as it has many supporting industries including light industry, food processing industry, and handicrafts industry. Development of the food processing

industry in particular enhances the value added of agricultural products and, contributing to stimulating agriculture. It is also necessary for development of the tourism industry. In the Kyrgyz Republic, the dissolution of the large-scale collective farm system and with the disintegration of the Soviet Union generated a number of small farmers. An increase in idle farmland and unharvested crops due to a shortage of farm equipment has also become a serious problem. A system for transferring cultivation techniques to small farmers has not been established. If these conditions continue to be ignored, there is a risk that agricultural productivity will decline in the future.

Support should be given to the agricultural sector so that the country's specialty goods be produced focusing on niche markets rather than on markets that are subject to international competition such as grain market. In addition, high value-added products should be developed by fostering processing industries rather than merely producing raw materials. In order for the agricultural productivity to recover, support for the infrastructure development including the provision of farming equipment, development of irrigation, and the construction of processing facilities are necessary. In addition, Japan will cooperate in comprehensive policies for improving "soft" infrastructure such as improving agricultural techniques, organizing farmers developing agricultural legal systems.

iii. Local Development

The bankruptcy of factories and companies and the dismantling of collective farms since independence have led to a stagnation of regional economy and industry and have brought severe poverty. In addition, the country's aging of infrastructure in the fields of transportation, communications, healthcare and education has hampered economic activity that is supposed to better regional economies and revitalize the social foundation. The country's southern region has seen an influx of radical Islamic groups and has become a narcotics trafficking route from Afghanistan. This has created a vicious cycle of instability in the region and has been security and safety concerns beyond the national and regional borders. Given these circumstances, support for energizing the community through local development is essential.

For example, emphasis will be placed on technical assistance for promoting the One Village One Product movement and infrastructure development that is geared towards local socioeconomic development and revitalization. Measures for environmental issues by localities are also important. In local development, Japan

will aim to support comprehensive community revitalization, including human resources development.

In addition, the Kyrgyz government has been reforming its governance system aiming at establishment of a local administration (i.e., more authority of local government, reform of budget-related systems), the course of which Japan will observe while considering whether or not to cooperate in this area.

iv. Human Resources Development to Contribute to the Transition to a Market Economy

As previously mentioned, since gaining independence, the Kyrgyz Republic has pursued a fast track toward a market economy, one of the first to implement measures including the issuance of its own currency, membership in the WTO, privatization, and partial liberation of land, while placing fundamental emphasis on promoting trade, introducing foreign exchange, and giving first priority to the promotion of domestic industry. However, there are still few entrepreneurs in the country who practice modern business management methods after a lapse of 16 years since independence. In addition, civil servants are not trained nor experienced to run public administration to deal with the transition toward free market economy. And the issue of corruption remains serious.

Up to now, Japan has regarded “human resources development that fosters the transition to market economy” as one of the most important pillars of assistance from a mid- to long-term perspective and has consistently provided support—and will implement further support—in this direction. Japan will also take into due consideration supporting legal system development for the market economy, governance improvement for enhancement of democracy that affects development of sound market economy, and legal system improvement for the establishment of the rule of law.

Human resources development that fosters the transition to market economy is also an important priority for other Central Asian countries. Japan is making efforts for human resources development by establishing Japan Centers for Human Development in the three countries of Central Asia: the Kyrgyz Republic, Uzbekistan, and Kazakhstan. By organically linking these Centers, Japan will promote cooperation among these countries under the theme of human resources development to foster the transition to the market economy.

Besides the cooperation mentioned above, Japan has provided technical

cooperation to the National IT Center, which Japan will also consider using as IT personnel training center for other Central Asian countries.

(2) Assistance in Social Safety Net

It is important that economic development does not solely generate an increase in GDP and prosperity, but also is directed to an appropriate distribution of wealth so as to improve the lives of the poor. However, now that 16 years have passed since independence, in the social sector a number of issues have emerged, which need assistance from the international community.

Since independence, foreign countries including Japan have provided various kinds of assistance in health care. In particular, Japan has provided four major grants in order to provide medical equipment relating to maternal and child health nationwide. A SWAp was adopted in health care reform that is currently being implemented principally by the World Bank, and more progressive and intensive reforms than in other sectors are expected in the future. At the present time, other donors including the World Bank and the Asian Development Bank are actively providing assistance in the areas of education and health care. Given this trend, Japan will cooperate in projects that strongly need its support and can make the most of the characteristics of Japan's support schemes, while paying attention to its own comparative advantage and the efforts of other donors.

(3) Promotion of Intra-Regional Cooperation

As pursuing strategic diplomacy in the mid- to long-term in the Central Asia region, Japan has advocated the "Central Asia plus Japan" Dialogue. In the "Action Plan" adopted at the 2nd Foreign Ministerial Meeting of the "Central Asia plus Japan" Dialogue held in June 2006, Japan, along with Central Asian countries including the Kyrgyz Republic, identified the following concrete assistance target areas of the intra-regional cooperation as a main pillar: terrorism and narcotics, clearance of anti-personnel mines, poverty alleviation, health and medical care, environmental conservation, disaster risk reduction, energy/water, trade and investment, and transportation. In these areas, Japan will complement the responsible efforts of Central Asian countries and will continue to provide assistance as a catalyst for promoting cooperation among these countries. From this perspective, when providing support in the priority areas mentioned before, Japan will, when possible, take into account elements for promoting regional cooperation. Japan will also consider the

possibility of providing Yen Loans in the future, and strive to identify and formulate projects that contribute to the promotion of intra-regional cooperation, including projects in the transportation and electric power sectors.

4. Points to Be Considered

(1) Points to Be Observed Closely Such as the Movements of the Kyrgyz Government, etc., When Implementing Assistance

i. Points Concerning Governance

Political instability persists in the Kyrgyz Republic as seen in rampant bribery and corrupt practices, conflicts between the government and opposition parties, a series of constitutional amendments, and frequent personnel shuffles within the government. Therefore, Japan needs to consider such issues concerning governance in providing assistance to the country. Furthermore, President Bakiev's party won a sweeping victory in the country's parliamentary election in December 2007, and how this election result affects the future governance improvement in the Kyrgyz Republic will also have to be watched.

ii. Course of Implementation of CDS

In response to the expiration of the first Poverty Reduction Strategy Papers (PRSP1) for the period of 2003-2005, the Kyrgyz government formulated CDS corresponding to the second Poverty Reduction Strategy jointly with donor countries. In May 2007 it established the National Council for Strategic Development and CDS was officially adopted by the Kyrgyz government. Japan will focus its attention on the specific course of implementation of CDS.

iii. Efforts toward Local Government and Decentralization

Currently in the Kyrgyz Republic a variety of reforms relating to local governance and local autonomy are being carried out, but the direction of these reforms has yet to be made clear. The fiscal 2007 central and local budget allocation was changed from the previous four-level structure, namely "republic – oblast - regions (raion) – municipalities (aiyl okmotu)" to a two-level structure, "republic – municipalities." This change in budget allocations, however, was not followed by other reforms of the central and local government system, leaving oblast and regional government in operation though without budget. In response to this problem, the Kyrgyz government and assembly decided in September 2007 to establish a three-level

structure of “republic – regions – municipalities” for the fiscal 2008 budget allocation. At the same time, the government put forth a policy to move forward in stages with a central and local government system including reducing and streamlining local administration units. This Country Assistance Program sets “local development” as a priority area, and because it envisions support having local administration and government (oblast, region and municipality) as counterparts, the selection of a suitable counterparts will be done carefully, taking note of the progress of reform of local governance and local autonomy.

iv. State of External Debt and Possibility of Loan Aid by Japan

As of January 2007, the Kyrgyz Republic had an external debt of approximately US\$2 billion. Up to now, Japan has responded to debt rescheduling in accordance with the Paris Club agreement (2002: approx. ¥2.3 billion, 2005: approx. ¥27.3 billion). In the autumn of 2005, the Kyrgyz government announced its possible participation in the Heavily Indebted Poor Countries (HIPC) initiative, but in February 2007, it finally decided against it. Though Japan understands that transportation infrastructure development and hydroelectric power plant construction through Yen Loans could contribute significantly to the country's economic growth and to the prosperity of the Central Asian region as a whole, for the time being it will carefully consider the possibility of providing a Yen Loan to the Kyrgyz Republic, taking into account the state of the country's economy and debt, and the progress of structural reform.

(2) Trend of other Donors to Be Carefully Observed

i. In order to strengthen coordination with other donors, Japan will carefully observe the trend of aid donor coordination in the Kyrgyz Republic, which has become active in recent years. For example, in 2007, the United Nations, the World Bank, the Asian Development Bank, the United Kingdom Department for International Development (DFID) and the Swiss Agency for Development and Cooperation developed the Joint Country Support Strategy (JCSS) in accordance with the implementation of CDS. In order to actively support the implementation of the CDS, the priority areas designated under the JCSS are (i) enhancement of economic potential for poverty reduction, (ii) measures against corruption and reform of governance, (iii) human and social development, and (iv) environmental preservation. The support by donors participating in JCSS account for a major share of support to the Kyrgyz Republic. It

is expected that from now on further aid coordination will be implemented in each sector principally by the donors participating in the JCSS.

ii. Japan will seek effective cooperation with the European Union, which formulated a strategy toward the Central Asia region in 2007, and pursues a balance between bilateral approach and intra-regional cooperation just like Japan.

(3) Points to be Considered Regarding Security (1999 Abduction of Japanese in Batken and Spread of Islamic Extremism)

The abduction of Japanese in Batken in 1999 highlighted dangers in the Kyrgyz Republic. At present, underground movements of the Islamic Movement of Uzbekistan (IMU), Hizb-ut-Tahrir, the Uighur terrorist groups and others have been reported. However, while monitoring domestic conditions, as well as considering the resumption of technical cooperation involving the dispatch of personnel into the southern region in particular, Japan partially lowered the level of travel warning to the region in FY2006. On the other hand, special attention should be paid on security situations of border areas in the southern region, and Japan will continuously and carefully observe these areas.

Conceptual Diagram of Country Assistance Program for the Kyrgyz Republic

Overall
Goal

**Poverty Reduction through Economic Growth
based on the Market-oriented Economic Reform**

Aid Policy

Consistency with
Country Development
Strategy(CDS)

Effective and efficient
assistance

Promotion of
intra-regional cooperation

Priority
Areas

1. Infrastructure Development for the Economic Growth

- Construction of transportation infrastructures
- Agricultural development
- Local development
- Human resources development that contribute to the market-oriented economic reform

2. Social Sector Improvement

- Health care, education, etc.

3. Promotion of Intra-regional Cooperation

- Action Plan within the framework of “Central Asia plus Japan” Dialogue