

Kyrgyz Republic Country Strategy 2024-2029

Approved by the Board of Directors on 25 September 2024



European Bank
for Reconstruction and Development

Table of Contents and Glossary



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Table of contents		Glossary of key terms	
Executive Summary	3	ABI Annual Business Investment	NPL Non-Performing Loans
Kyrgyz Republic – EBRD Snapshot	4	ADB Asian Development Bank	PFI s Partner Financial Institutions
I. Implementation of Previous Strategy (2019-2024)	5	ASB Advisory Small Businesses	PPPs Public-Private Partnerships
Key Transition Results Achieved during Previous Strategy	5	BEEPS Business Environment and Enterprise Performance Survey	RES Renewable Energy Sources
Challenges to Implementation and Key Lessons	7	CAREC Central Asia Regional Economic Cooperation	RHS Right-hand side
II. Economic Context	8	CSO Civil Society Organization	RSF Risk Sharing Facility
Macroeconomic Context and Outlook for Strategy Period	8	E&S Environmental & Social	SBIF Small Business Impact Fund
Key Transition Challenges	9	ESP Environmental and Social Policy	SECO Swiss Economic Cooperation Organization
III. Government Priorities and Stakeholder Engagement	11	ETC Early Transition Country	SESA Strategic Environmental and Social Assessment
IV. Defining Kyrgyz Republic Country Strategy Priorities	12	EAEU Eurasian Economic Union	SME Small and Medium sized Enterprise
V. Activities and Results Framework	13	EU European Union	SOB State-Owned Bank
VI. Mapping of International Partners' Complementarity in EBRD Business Areas	16	FDI Foreign Direct Investment	SOE State-Owned Enterprise
VII. Implementation Risks and Environmental and Social Implications	17	FI Financial Institution	TC Technical Cooperation
VIII. Donor Partnerships Assessment	18	GCAP Green City Action Plan	TES Total energy supply
Annex – Political Assessment	19	GDP Gross Domestic Product	TFP Trade Finance Programme
		GHG Greenhouse Gas	TITR Trans-Caspian International Transport Route
		HIPCA High Impact Partnership on Climate Action	WB World Bank
		HPP Hydropower plant	WEO World Economic Outlook
		KyrSEFF Kyrgyz Sustainable Energy Financing Facility	WIB Women in Business Programme
		ICA Industry, Commerce & Agribusiness	YIB Youth in Business Programme
		ICT Information and communications Technology	
		IEA International Energy Agency	
		IFC International Finance Corporation	
		IFI International Financial Institution	
		ILO International Labour Organisation	
		IMF International Monetary Fund	
		IT Information Technology	
		LHS Left-hand side	
		LPI Logistic Performance Index	
		M&S Manufacturing & Services	
		NCV Natural Capital Valuation	
		NDCs Nationally Determined Contributions	

The Kyrgyz Republic remains committed to the political principles of Article 1 and their application as set out in the Articles Establishing the Bank. However, in the period since the previous Country Strategy was approved in July 2019, implementation has been inconsistent and, in important respects, has reversed. Since independence, international bodies responsible for monitoring democracy and human rights standards have generally assessed the Kyrgyz Republic positively, certainly in the regional context. However, in recent years, they have repeatedly raised concerns about a steady and serious deterioration in its performance in areas such as the situation for independent media and civil society.

The Kyrgyz economy has demonstrated resilience amid challenges, maintaining positive growth momentum despite challenges such as the Covid-19 pandemic, political instability, and external economic and geopolitical shocks. Non-gold manufacturing activities, such as textiles and pharmaceuticals, along with the hospitality and services sectors expanded rapidly following the contraction in gold production at the Kumtor gold mine, the country's largest gold mining operation. This not only contributed to the diversification of the economy but also helped reduce reliance on remittances. However, Labour productivity remains among the lowest in the region, and the share of formally employed workers is low by international standards. Governance issues, including corruption and inefficiencies in public administration, continue to pose challenges to sustainable economic development.

Despite these challenges, key reforms have been enacted. Tax and customs reforms have been gradually phased in since early 2021 and have contributed to reducing informality, helped level the playing field for formal SMEs, and increased government revenues. While the transition to the new regime (formalization) presents challenges for most SMEs, businesses gradually comply. The increase in public sector wages has contributed to increasing civil service capacity and curbing corruption.

The Kyrgyz Republic continues to face challenges common to countries less advanced in economic reforms, including stagnant labour productivity, outdated infrastructure, low public expenditure, and weak governance. Although the banking sector is highly liquid, corporate lending remains modest. The country is susceptible to external shocks due to the economy's lack of diversification and reliance on Russia and China for trade and investments, as well as geopolitical factors. Moreover, the Kyrgyz Republic is particularly vulnerable to climate events, given its dependence on hydropower and the melting of glaciers. Some of the economic priorities pursued by the Kyrgyz government include ensuring access to water, electricity tariffs reform, promoting energy efficiency, and boosting the competitiveness of key sectors of the economy, such as agribusiness and manufacturing. The EBRD is well-positioned to assist the Kyrgyz Republic in addressing these issues, including through robust engagement in the energy and infrastructure sectors, support for SMEs and underserved groups, provision of green loans, enhancing connectivity, and pursuing policy reform advocacy and advice to strengthen governance.

In light of these considerations, the Bank aims to pursue the following strategic priorities in the Kyrgyz Republic for the period 2024-2029:

1. Support Private Sector Competitiveness and Greater Inclusion through Increased Productivity and Access to Export Markets
2. Support Development of Sustainable and Resilient Infrastructure and Connectivity
3. Promote a Green, Resilient, and Well-Governed Economy

Kyrgyz Republic – EBRD Snapshot



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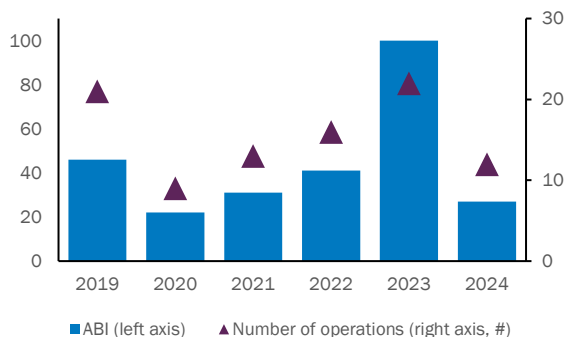
EBRD investment activities in Kyrgyz Republic (as of August 2024)

Portfolio	€236m	Active projects	79
Equity share	1%	Operating assets	€81m
Private Sector Share ¹	68%	Net cum. investment	€979m

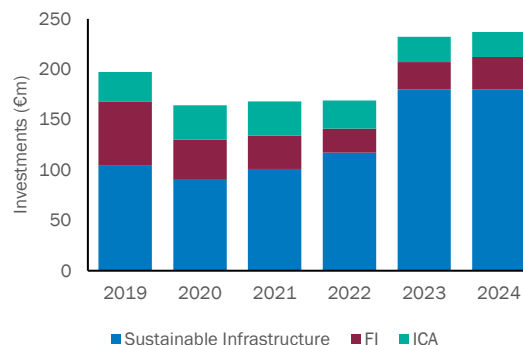
Kyrgyz Republic context figures

	Kyrgyz Republic	Comparators
Population (million) ³ (2023)	7.16	Kazakhstan (20.03) Uzbekistan (36.8)
GDP per capita (PPP, USD) ⁴ (2023)	7.10	Kazakhstan (39.3) Uzbekistan (9.72)
New Business Density ⁴ (New registrations per 1,000 population, 2020)	1.3 (2016)	Kazakhstan (3.5) Uzbekistan (2.7)
Unemployment (%) ³ (2023)	4.9	Kazakhstan (4.72) Uzbekistan (6.8)
Youth unemployment (%) ⁵ (2023)	8.2	Kazakhstan (3.82) Uzbekistan (10.97)
Female labour force participation (%) ⁵ (2022)	56.66	Kazakhstan (73.12) Uzbekistan (43.56)
Energy intensity TES/GDP (GJ/2015 \$) ⁶ (2021)	3.46	Kazakhstan (3.48) Uzbekistan (4.12)
Emission intensity/GDP (kgCO2/2015 \$) (2021) ⁶	0.3	Kazakhstan (0.5 in 2020) Uzbekistan (0.4 in 2021)

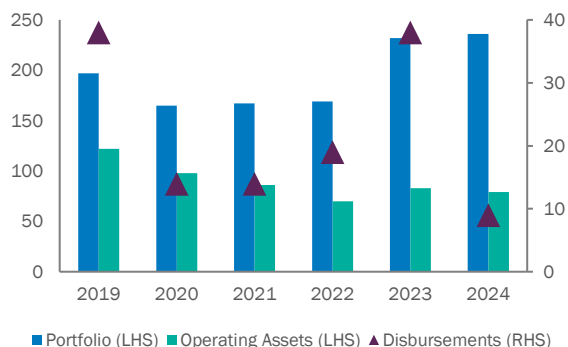
ABI and operations



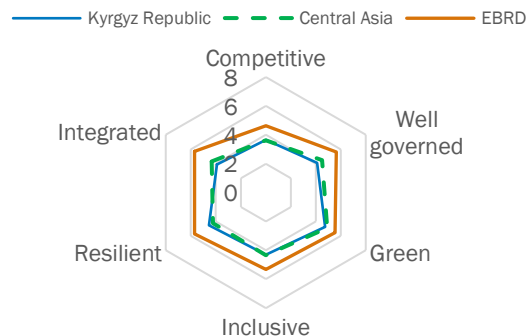
Portfolio composition



Portfolio dynamics



Transition Gaps²



1 Cumulative Bank Investment: 5 year rolling basis on portfolio; 2 Cf. EBRD Transition Report 2023-2024; 3 IMF WEO; 4 WB database; 5 ILO; 6 IEA

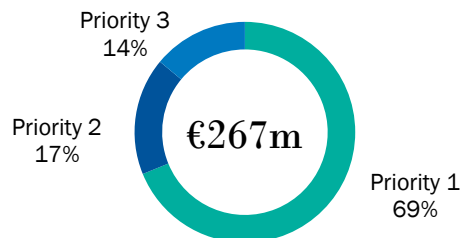


1. Implementation of Previous Strategy (2019-2024)

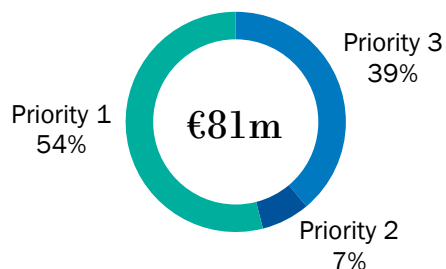
1.1. Key Transition Results Achieved during Previous Strategy (1/2)

Strategic alignment 2019-2024

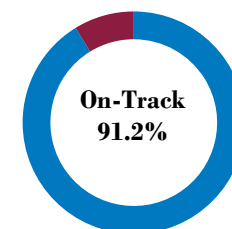
Annual Business Investment (ABI)¹



Technical assistance and investment grants



Transition impact performance²



Priority 1

Enhancing competitiveness by increasing access to finance, expanding products and services and improving the business environment

Key quantitative results



Key transition results

- Launched the regional Women in Business (WiB) framework in the Kyrgyz Republic, resulting in 827 sub-loans disbursed and 247 of women-led businesses accessing advisory services.
- Supported the Ministry of Economy in developing the National Women Entrepreneurship Development Programme, which was adopted by the government in 2021.
- Expanded RSF and increased participation by PFIs through transactions with SMEs in M&S and agribusiness, resulting in a total of transaction volume exceeding \$35m since 2019.
- Expanded green lending by introducing new, inclusive financial products to support climate resilience under the newly allocated \$50m to KyrSEFF III to meet growing demand for energy and resource efficiency investments.
- Strengthened public governance and improved the business environment through sustained policy advice:
 - Supported the development and adoption of digital tools for procurement, improving reporting and monitoring on public procurement as part of the e-procurement system. Supported the development and implementation of data-driven audit methodology for electronic public tenders.
 - Supported the launch of the Business Ombudsman, which has over three years dealt with around 170 complaints and helped enterprises make estimated savings of \$23m.

1. Investments signed from 10 July 2019, date of approval of the previous Country Strategy, to 11 September 2024.

2. Transition impact performance reflects how likely projects are to achieve the transition impact expected of them at signing. Calculated based on active mature (> 2 years) portfolio



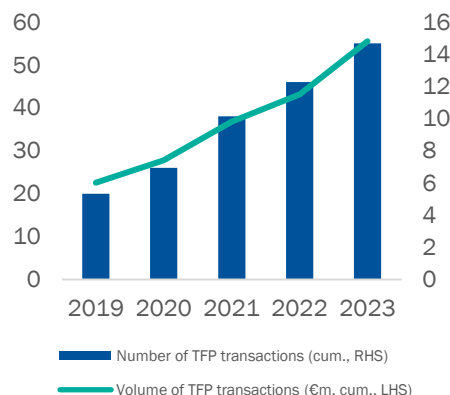
1. Implementation of Previous Strategy (2019-2024)

1.1. Key Transition Results Achieved during Previous Strategy (2/2)

Priority 2

Promoting greater integration via increased trade and improve cross-border linkages

Key quantitative results



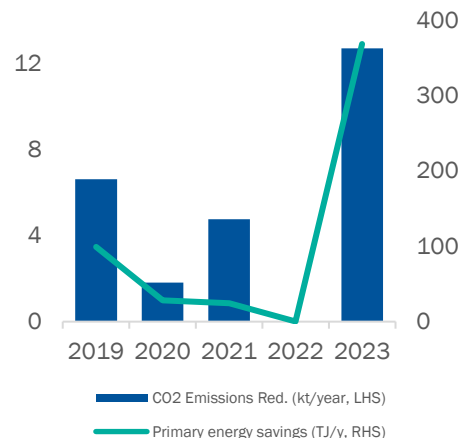
Key transition results

- Invested €11m to finance critical railway rehabilitation and support the climate resilience of Kyrgyz railways, marking the first railway project since EBRD started operations in the country.
- Provided a €44.2m loan for the rehabilitation of a segment of the Issyk-Kul Ring Road, one of the priority transport links identified in the national Road Sector Development Strategy 2025 and an important regional corridor as part of the Trans-Caspian International Transport Route (TITR or Middle Corridor), to facilitate the country's transit potential and its regional integration via an improved transport linkage with Kazakhstan.
- Supported local advisory projects for export-oriented SMEs and provided networking opportunities to trade with other countries. 82 ASB clients have reported increased export sales.
- Facilitated regional and international trade through TFP, completing 64 transactions totalling over €18 million.
- Supported digitalization projects with the successful introduction of a mobile application for sugar producing plants.

Priority 3

Developing greener and more commercialised public utilities and promoting private sector participation

Key quantitative results



Key transition results

- Under the first project of Bishkek's Green Cities Action Plan (GCAP), the city received 124 compressed natural gas buses, helping replace the obsolete diesel vehicles currently used in the city.
- Re-engaged in the energy sector with a programmatic approach:
 - Provided a €13.8m financing package for the rehabilitation and modernisation of the Lebedinovskaya HPP, winning the EMEA Project Finance Aware Best Hydroelectric Power Deal.
 - Provided a €13.5m loan to the National Electric Grid of Kyrgyzstan to finance the procurement and installation of household smart electricity meters in the Osh, Jalal-Abad, Tupe and Chuy regions.
 - Working with the Ministry of Energy to launch preparation of a competitive selection process for up to 300MW of new wind capacity.
- Successfully finalised the two initial tranches of the KyrSEFF programme (KyrSEFF I and II). More than 3,500 projects were funded, achieving annual energy savings of almost 200,000 MW, water savings of 153,600 m³, and reducing annual CO₂ emissions by more than 67,000 tonnes.



1. Implementation of Previous Strategy (2019-2024)

1.2. Challenges to Implementation and Key Lessons

Context for implementation

Although political stability has been restored after the 2021 presidential elections, the pace of reforms implementation has remained sluggish. While the authorities have made efforts in complying with sanctions imposed on Russia, it needs to be acknowledged that the Kyrgyz Republic remains significantly reliant on trade with Russia while high levels of informality pose a challenge for compliance, causing operational challenges and increasing the risk of secondary sanctions for Kyrgyz businesses. In addition, the increasing importance of Chinese exports in the country's trade landscape, integration in the Eurasian Economic Union, and the resolution of border issues with Uzbekistan and Tajikistan signal a shifting dynamic in regional economic partnerships. Within its own economic landscape, the Kyrgyz Republic continues to face challenges common to countries less advanced in economic reforms, including an inadequately trained workforce, a small domestic market size, high levels of informality, supply chain disruptions, and out-migration. Over the previous strategy period, some measures aimed at reducing informality were introduced, which nevertheless remains prevalent and hinders business activities. While gold exports came to a halt in 2022 and 2023, the country faces the dual challenge of balancing the enduring significance of its gold industry with the imperative to attract foreign investments in non-extractive industries. The country remains particularly vulnerable to external shocks, given that remittances account for a significant share of GDP. The Bank has played a key role in helping the country improve access to water services, boost private sector competitiveness, strengthen the financial sector, and foster regional integration.

Implementation challenges

- A challenging governance environment, frequent changes across key stakeholders, and limited institutional capacity continue to inhibit reform momentum and delay project preparation and implementation.
- New power generation capacity is needed due to aging assets, hydrology cycles, increasing domestic demand, and opportunity for regional trade.
- Weak stakeholder capacity to deliver public sector infrastructure projects in tenders is a major challenge that requires more time and effort from the Bank to move projects further.
- The operational environment presents key challenges, including the lack of skills, mixed counterparty capacity, supply chain disruptions, and limited availability of local currency funding.

Key lessons & way forward

- Continuous capacity and relationship building with all stakeholders require high engagement and perseverance from the EBRD. Effective project implementation hinges on the ability to take the lead and building strong relationships with partners. This should continue on all levels including in close collaboration with IFIs and donors.
- There is significant potential for hydropower and solar development in the country. Maintain involvement and respond actively to the country's need for infrastructure projects, building on lessons learned and long-standing private sector expertise.
- Investments must be backed by capacity-building support and adequate Bank resources to share EBRD procurement expertise as well as engagement across sectors and stakeholders.
- Focus on working capital financing to support SMEs, helping the borrowers with disruptions, continue working with local partner banks for local currency funding. Strong partnerships in the financial sector were key for the record number of RSF transactions achieved.

2. Economic Context

2.1. Macroeconomic Context and Outlook for Strategy Period

Kyrgyz Republic – Main Macroeconomic Indicators

	2020	2021	2022	2023
GDP growth (% y-o-y)	-7.1	5.5	9.0	6.2
CPI inflation (% avg.)	6.3	11.9	13.9	10.9
Government balance (% of GDP)	-3.1	-0.7	-0.3	0.1
Current account balance (% of GDP)	4.5	-8	-46.5	-31.8
Net FDI (% of GDP) [minus indicates inflow]	4.9	-2.4	-2.5	NA
External debt (% of GNI)	115.3	111.6	91.6	NA
Gross reserves (% of GDP)	32.9	31.2	22.4	22.6
General government gross debt (% of GDP)	63.6	56.2	49.2	47
Unemployment rate (%)	5.8	5.3	4.9	NA
Nominal GDP (\$bn)	8.27	9.25	12.1	13.9

Source: National authorities, IMF, World Bank

The economy added 6.2 per cent year on year in 2023 despite a 17 per cent contraction in the production of gold at Kumtor. Non-gold manufacturing activities, such as textile and pharmaceuticals production, expanded at impressive double-digit rates. The revival of tourism provided a boost to hospitality and other services, such as wholesale and retail trade. Of special note is the strong expansion in international trade: in 2023, imports and exports grew 26 and 46.8 per cent year on year, respectively, on the back of a resumption in gold exports (US\$ 1.28 billion compared to US\$ 13 million a year ago) and a boom in intermediated trade activities. Growth accelerated in 2024, as the economy expanded by 8.1 per cent year on year in January-May, led by construction activities (up 51.6 per cent year on year).

Inflationary pressures receded. Annual consumer price inflation peaked at 16.2 per cent in February 2023, slowing thereafter to 7.3 per cent in December 2023. At 5.2 per cent in April 2024, inflation returned to the central bank's target range, enabling the National Bank to cut its policy rate to 9 per cent in May 2024.

Tax reforms and a dramatic increase in trade activity led to very strong fiscal performance. In 2023, budget revenues increased 30.4 per cent year on year. VAT receipts added 36.9 per cent y/y, driven mainly by improvements in tax administration; significant gains were achieved in receipts from all tax and non-tax revenue sources. Expenditures soared as well (up 22.0 per cent), but the budget recorded a surplus of about 1.0 per cent of GDP.

Robust growth is expected in the short term. We forecast the economy to grow by 8.5 per cent in 2024, supported by resumption of gold exports, elevated remittances, continued construction boom, and strong domestic demand. There are significant upside risks to the outlook related to continued political stability enabling long-overdue institutional reforms, significant fixed capital investment coming to fruition and expansion in tourism. However, vulnerabilities remain, particularly due to potential external factors, such as secondary sanctions on Kyrgyz companies, uncertain Russian demand for Kyrgyz goods and workers, diminished demand for transportation and intermediated trade services, and further gyrations in the rouble's value negatively affecting the volume of remittances from Russia.

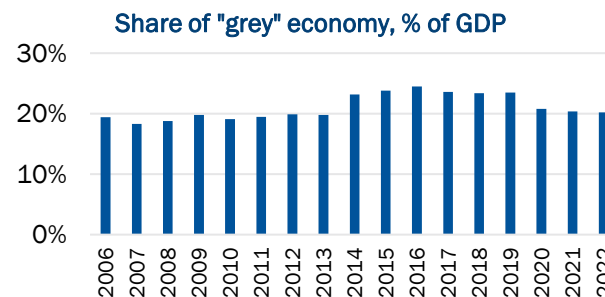


2. Economic Context

2.2 Key Transition Challenges (I/II)

Competitive (3.65)

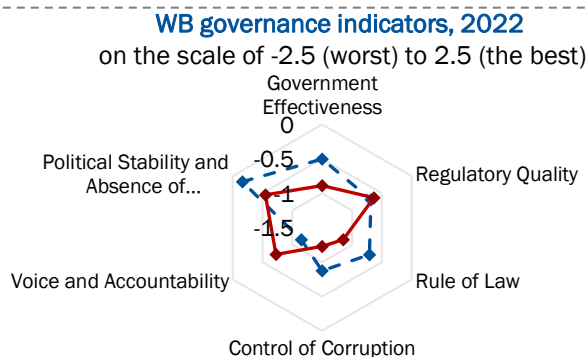
- According to the latest BEEPS VI data (2018-2020), **informality, political instability, corruption, access to finance and skills** are the most pressing issues for Kyrgyz businesses.
- Officials estimated the **grey economy's share at 20.2% of GDP in 2022**. The tax and customs reforms introduced in 2021-2023 seek to level the playing field for businesses, but new measures are met with resistance by small traders in vast informal markets.
- Having experienced a radical deindustrialization in early independence days, Kyrgyz Republic achieved **very little progress on productivity, dropping behind all peers**.
- The Kyrgyz economy is dominated by SMEs, which have been steadily growing in number. The contribution to GDP has stagnated, however, **suggesting a lack of productivity improvements and increasing fragmentation**. Nevertheless, SMEs' export capacity in the Kyrgyz Republic is much higher than that of regional peers.



Source: National Statistical Committee of the KR

Well-governed (4.11)

- As recent steps to achieve political stability and policy continuity, improve tax collection, curb organized crime, corruption and informality are not yet reflected in international assessments, **the Kyrgyz Republic's performance on relevant governance indicators continues to lag behind regional averages**.
- The 2021 Constitution granted the president the right to appoint judges at all levels, **limiting judicial independence**. **The government's efforts to tighten the regulatory environment for foreign-financed non-profit organizations may hurt the Kyrgyz Republic's performance on voice and accountability**, on which it has been a regional leader.
- Launched in 2018, the national-level online platform **Tunduk improved citizens' access to various public services**. Although the E-governance development index rates KR's institutional framework as highly developed, the digital governance regulatory framework could be further improved e.g. through inclusion of non-state actors in the e-governance structure.

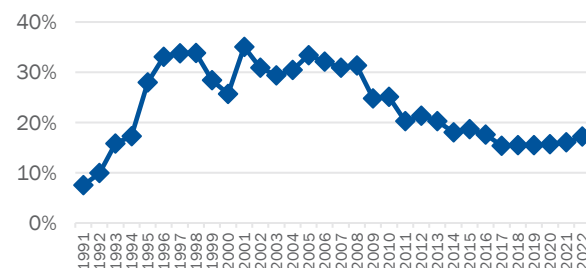


Source: World Bank

Green (4.75)

- CO2 emissions per capita are low compared to regional peers, but absolute emissions have been growing, leading the country to **rank 4th among EBRD CoOs in terms of emissions per GDP**.
- The Kyrgyz Republic's main sources of greenhouse emissions are energy, agriculture, and industry**. The country does not have a net-zero emissions target, nor has it yet submitted a National Adaptation Plan, and a Long-Term Decarbonization Strategy. That said, the Draft Concept for a Long-Term Strategy on Carbon Neutrality by 2050 has been developed and is likely to be finalised in 2024.
- The Kyrgyz Republic is the third most energy intensive economy in the EBRD**. Over 60% of the total energy mix comes from fossil fuels, out of which 90% are imported. Electricity generation is dominated by large hydropower. Despite notable progress in recent years, transmission losses **stood at 15% of total generation in 2022**.

Electricity transmission losses, % of electricity generation



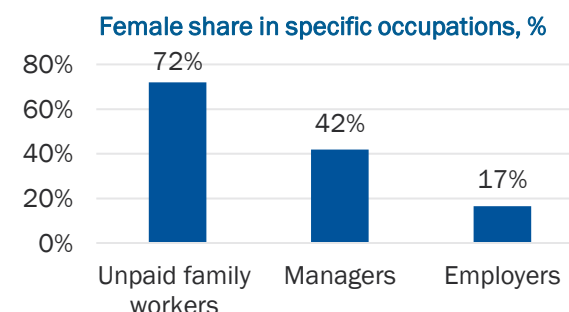
Source: National Statistical Committee of the Kyrgyz Republic

2. Economic Context

2.2 Key Transition Challenges (II/II)

Inclusive (4.31)

- **Job creation does not keep pace with population growth**, the labour market suffers from pervasive **informality**, as well as temporary, occasional, and seasonal work, pushing workers into **emigration**.
- Both **women and young entrepreneurs remain under-served**, facing barriers in accessing finance. Female-led firms are a 33 per cent less likely to have an active line of credit or loan from a financial institution.
- Many workers are over-schooled but under-skilled for their jobs, as about **33% of firms identify inadequately educated workforce as a major constraint**.
- Traditional gender roles are sustained as **women continue to be underrepresented in the labour market** (48% as opposed to 77% among men) and **overrepresented (72%) in unpaid family work**.

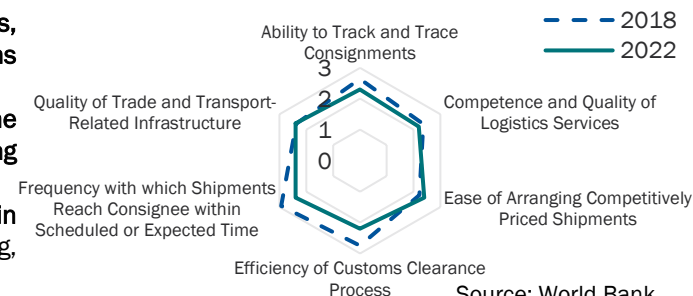


Source: National Statistical Committee of the Kyrgyz Republic

Integrated (3.91)

- **Logistics performance is weak** due to difficult geography (mostly mountainous terrain), underinvestment, poor policy planning and private sector fragmentation. Unlocking the country's logistics potential will require **consolidation of fragmented logistics operations, equipment upgrade, investment in skills and digital infrastructure, streamlining of customs and border procedures**.
- Improving domestic electricity transmission and distribution networks and **re-integrating the country's electricity system with those of its neighbours are key to cutting losses and ensuring energy security**.
- Incoming FDI dropped due to government-imposed **restrictions on foreign participation in goldmining activities**. This drop is only partially compensated for by FDI in manufacturing, renewables and other sectors.

Logistic Performance Index LPI sub-scores (1=low to 5=high)

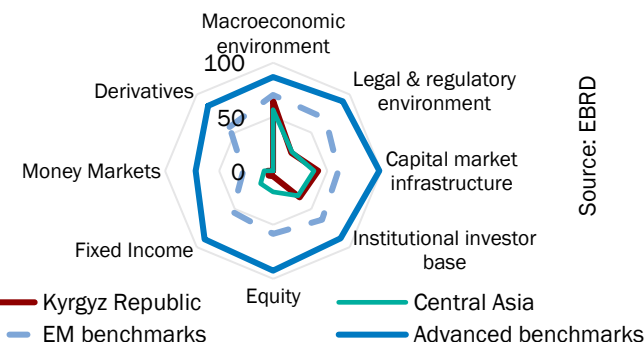


Source: World Bank

Resilient (4.54)

- **Medium term risk of water stress requires a comprehensive water sector reboot**. Accelerated glacial melting will reduce regularity of water that affects hydropower generation and irrigation. The country is particularly vulnerable to this risk due to increasing water shortage steadily growing demand for water as a result of demographic trends and extensive agricultural development.
- **The power sector suffers from years of underinvestment while non-cost reflective tariffs and the regulatory set-up are not conducive for private investment in renewables**. New tariff methodologies for electricity as well as heating and hot water services are yet to be implemented consistently.
- **Financial markets are dominated by the banking sector**. Though highly capitalised and in reasonable health, it faces an **unstable funding base** and a relatively high level of **NPLs**.

EBRD Financial Market Development Index



Source: EBRD

3. Government Priorities and Stakeholder Engagement

3.1 Government Reform Priorities

The **National Development Strategy of the Kyrgyz Republic for 2018-2040** continues to define the country's long-term development benchmarks. The Strategy focuses on the following priorities: boosting competitiveness and economic growth, adopting good governance agenda, developing the human potential of all citizens, enhancing economic well-being, promoting social and regional development, promoting energy exports, and advancing digitalisation.

Formulated in 2021 in the context of Covid-19 and recent political unrest, the government adopted the medium-term **National Development Program of the Kyrgyz Republic until 2026**, which integrates crisis management measures with a commitment to addressing enduring developmental hurdles. The strategy is articulated around six main axes:

1. *Enacting public sector reforms*: reforms of the executive branch, public financial management, reform of administrative and territorial administration, fiscal reforms, and judicial reforms.
2. *Mobilising resources for development*: Improve the transport and logistics infrastructure, access to water services, enacting land reforms, improve the business and investment climate, developing financial market.
3. *Developing key sectors of the economy*: including hydropower, agribusiness, mining, manufacturing, and tourism.
4. *Advancing social development*: including promoting inclusive growth, and access to education and healthcare services.
5. *Addressing foreign policy and national security concerns*: Strengthening border security measures and cultivating a positive international image.
6. *Pursuing specialized development priorities*, including modernising urban centres, and fostering sustainable development through environmental conservation and emissions monitoring.

In February 2023, the Kyrgyz Republic approved the **National Water Strategy until 2040**. Designed to tackle persistent water crises, the document outlines specific measures to improve water-sector governance, introduce a unified information system on water resources, and encourage resource-saving behaviour.

3.2 EBRD Reform Areas Broadly Agreed with Authorities

- Enhance the private sector's competitiveness and promote economic diversification.
- Promote efficient water supply services by addressing critical drinking water, irrigation, and wastewater infrastructure.
- Support the development of renewable energy sources by supporting the construction of new infrastructure such as the Kambarata hydropower plant.
- Support the development of the agribusiness sector and its integration into global value chains.
- Enhance regional connectivity by creating and upgrading critical transport infrastructure and fund opportunities to promote economic inclusion in this sector.
- Enhance public sector capacity by promoting the adoption of digital governance tools.

3.3 Key Messages from Civil Society to EBRD

- Local civil society is interested in regular engagement with the EBRD, including involvement in multi-stakeholder platforms between government, donors, businesses and other actors to hold open discussions, provide feedback, and ensure government policies and decisions consider civil society's input.
- The civic sector believes that its organisational capacity and financial sustainability needs to be strengthened as well as legal and political environment in which it operates needs to be protected.
- Implementation of regulations on financial disclosure, conflict of interest, procurement, and anticorruption initiatives should be closely monitored.
- The LGBTI+ community seeks access to services and economic opportunities with no risk of harassment and violence in what they view as a generally hostile environment.
- More attention needs to be paid to the air quality, water issues, and sustainability of municipal and energy infrastructure, including waste management.



4. Defining Kyrgyz Republic Country Strategy Priorities

What needs to change? (Country Diagnostic)	Can it be changed? (Political Economy)	What can the Bank do? (Institutional Capabilities)	Strategic Priorities (2024-2029)	What We Want to see in 2029
<ul style="list-style-type: none"> Stagnant labor productivity, skills mismatches, and excessive informality are obstacles for businesses. Highly fragmented structure of farming and SME activities. Vast majority of companies are very small, financially unstable and non-bankable. Though well capitalised, the banking sector faces key issues, including an unstable funding and a relatively high level of NPLs. Large disparities in regional development, low participation of women in the economy Dependence on external markets for goods, transport and tourism services. Transit trade creating disincentives for investment in capital-intensive manufacturing and agribusiness sectors. 	<ul style="list-style-type: none"> Efforts are made to tackle informality. Tax and customs reforms, gradually phased in since early 2021, reduced informality and help level the playing field for formal SMEs and increase government revenues. The Kyrgyz Republic is very well integrated into regional and global value chains, despite small economy. The Kyrgyz Republic has been recently enjoying a major surge in transit trade involving China and EAEU countries. Non-gold manufacturing activities such as textiles and pharmaceuticals have experienced double-digit growth rates, and the hospitality and services sectors expanded rapidly 	<ul style="list-style-type: none"> The Bank can support SME competitiveness through investment and advisory, promoting skills transfer and operational efficiency improvements, and seek to strengthen the financial sector to facilitate access to finance for SMEs, in particular in local currency. Support private sector by using direct and indirect financing, risk sharing, TFP, and leverage various programmes such as WiB or the YiB programmes. Provide access to skills. Promote entrepreneurship and employment opportunities for underserved groups. The EBRD can promote trade by providing export-oriented firms TFP financing and advisory services. 	Support Private Sector Competitiveness and Greater Inclusion through Increased Productivity and Access to Export Markets	<ul style="list-style-type: none"> Increased competition including through enhanced value chain linkages Increased access to skills and finance
<ul style="list-style-type: none"> Regional gaps in access to infrastructure and government services are a challenge. Regional integration is hampered by deficiencies in logistics operations, suboptimal customs and border procedures, and low-quality infrastructure. Low public spending on mostly obsolete infrastructure. Additional investments are required to improve regional and local road infrastructure. Ambitious infrastructure investment projects would contribute to stronger aggregate demand and growth. 	<ul style="list-style-type: none"> Rising tax-to-GDP ratios potentially freeing up more funds for investments in critical infrastructure. Improved relationships between Central Asian countries support investments in enhanced regional infrastructure. Greater energy independence through the construction of new power lines and network rehabilitation projects. However, this came at the expense of regional cooperation in energy. 	<ul style="list-style-type: none"> The Bank's focus on sustainable and climate-resilient infrastructure can contribute to the greater sustainability of local infrastructure by addressing key transport connectivity, water and electricity supply issues in the country. Promote sustainability of public utilities through commercialisation and private sector participation. Strengthen regional cross-border linkages and facilitate regional integration by supporting the rehabilitation of critical infrastructure. 	Support Development of Sustainable and Resilient Infrastructure and Connectivity	<ul style="list-style-type: none"> Increased energy and resource efficiency Enhanced regional connectivity Improved delivery of public services
<ul style="list-style-type: none"> The country is exposed to significant climate risks because of its mountainous landscape with glaciers and a large agricultural sector. Large dependence on HPPs makes the country vulnerable to seasonal fluctuations. Lack of capacity in the public sector, tax revenue collection limited, focus on current needs rather than on investment. Weak rule of law, corruption, political instability, and lack of government effectiveness are major concerns. Weak business environment and treatment of foreign investors. 	<ul style="list-style-type: none"> The updated NDCs give consideration to the most vulnerable sectors, including water resources, agriculture, and energy. Increase in public sector wages helping improve/retain capacity in civil service and curb corruption. Electricity tariff reforms reducing pressure on the budget including rational use of electricity. New measures adopted to grant visas for foreign investors. 	<ul style="list-style-type: none"> The Bank can support the authorities with development and implementation of Paris alignment strategies. The Bank can support the development of renewable energy capacity through policy advice and financing. Continue support improving governance by promoting SOE reforms, enhanced corporate governance in the private and public sectors, and the implementation of digital government services. 	Promote a Green, Resilient, and Well-Governed Economy	<ul style="list-style-type: none"> Increased resilience to climate change Improved quality of institutions and governance

5. Activities and Results Framework (1/3)



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Priority 1: Support Private Sector Competitiveness and Greater Inclusion through Increased Productivity and Access to Export Markets

Key Objectives	Activities	Tracking Indicators (Outcomes)
Strengthen competitiveness of private sector through gains in efficiency, productivity, and innovation	<ul style="list-style-type: none"> Promote diversification of the economy towards a more competitive and resilient corporate sector, both directly and via local banks including through risk sharing with partner institutions. Support aggregators and value chain development in fragmented sectors (e.g., agribusiness, tourism). Explore supply chain financing, including sustainable agribusiness financing via partner financial institutions. Promote trade and export development through TFP, financing and advising on the development of logistics facilities and services. 	<ul style="list-style-type: none"> Number of corporate clients reporting increased productivity/turnover No. of people (f/m) receiving new/improved skills Volume / number of TFP transactions supported by the Bank
Broader access to finance, in particular for underserved segments / Support capital markets environment and FDI investment	<ul style="list-style-type: none"> Support financial inclusion of women, youth, and other underserved groups (e.g. people in less advanced regions) through dedicated credit lines with local PFIs, alongside the expansion of non-financial services through business advice. Support money, financial and capital markets development through capacity building for public and private stakeholders, and legal and infrastructure reforms. Provide assistance to targeted issuers of capital market instruments, including PFIs. Promote ways to sustainably raise local currency funding on a commercial basis and expand local currency lending to MSMEs and retail borrowers. Explore opportunities to support the expansion of FDIs. 	<ul style="list-style-type: none"> Volume / number of Women in Business / Youth in Business sub-loans disbursed Successful introduction of new and/or improved banking products Capital markets reforms implemented (qualitative)
Improved business skills, standards and business sophistication	<ul style="list-style-type: none"> Build capacity and accelerate development of SMEs and early-stage companies through upskilling and advisory services. Contribute to the development of skills relevant to the labour market, especially among young people and women. Explore financing for high-potential tech companies. Foster digital transformation, digital skills, and cyber security, including through PFIs and support to NBKR for the development and sector-wide adoption of digital profiles and remote identification applications. Support economic governance improvements (including through the strengthened Investment Council). Engage with business associations to facilitate improvements in business climate and foster sound corporate governance practices. Provide policy advice to disclose SME data on a sex-disaggregated basis. Promote equal opportunity policies and practices in the economy to improve access to employment for women through technical assistance and advocacy. 	<ul style="list-style-type: none"> Number of clients implementing digitalization projects

Competitive



Inclusive



5. Activities and Results Framework (2/3)



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Priority 2: Support Development of Sustainable and Resilient Infrastructure and Connectivity

Key Objectives	Activities	Tracking Indicators (Outcomes)
Increased energy and water provision, efficiency and sustainability	<ul style="list-style-type: none"> • Increase green energy generation and improve power supply through attracting and financing investments in new renewables (e.g., solar, wind, hydro) and rehabilitation of existing energy sector assets. Help to build institutional capacity and green skills in the sector as well as support development of renewables market, in close cooperation with other IFIs. • Policy engagement to support the development of a sustainable, transparent and well-governed energy market, including well designed power purchase agreements. Support the introduction of competitive procurement for RES and associated strengthening of the regulatory framework. • Support improved water security and the sustainability of water supplies through improvements in water sector management and irrigation. • Improve provision of and access to public services, such as water and wastewater, solid waste, public transport, and district heating, including through EBRD Green Cities, enhancing their sustainability and energy efficiency (e.g. in public buildings). 	<ul style="list-style-type: none"> • Renewable Energy capacity installed (GW) • Water saved (m3/y) • Electricity saved (kWh/y) • Primary energy saved (GJ/y) • Number of beneficiaries with improved access to services
Improved connectivity and integration of critical infrastructure	<ul style="list-style-type: none"> • Finance the construction of new grid lines, capacity upgrades, internal networks strengthening, and efficiency improvements of energy transmission and distribution networks, including through support for enhancing regional trade in energy and integration of renewables, and upskilling the local workforce. • Provide financing for the construction, rehabilitation, maintenance and expansion of key road, rail and other networks, both domestic and cross-border – with a focus on regional/international corridors (eg Trans-Caspian Transport Corridor) - and strengthening the commercial sustainability of critical transport infrastructure. • Support development of the logistics sector, including financing as well as support for the development of training programmes relevant to the labour market. • Support development of inclusive and gender-responsive infrastructure services, including mitigation of gender-based violence and harassment risks. • Promote improvements in the quality, security and availability of digital infrastructure and related digital services. 	<ul style="list-style-type: none"> • Improved security and quality of infrastructure, including digital infrastructure (qualitative) • Improved/increased transport infrastructure capacity • Expanded access of infrastructure within/across regions • Number of new/improved training programmes

Integrated



Green



5. Activities and Results Framework (3/3)



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Priority 3: Promote a Green, Resilient, and Well-Governed Economy

Key Objectives	Activities	Tracking Indicators (Outcomes)
Increased climate resilience across the economy	<ul style="list-style-type: none"> Support the authorities with development and implementation of green policies, including on climate adaptation and resilience. Finance and advice for companies including SMEs on climate risk management, climate governance, and climate investments and help to ensure general Paris alignment of their investments. Promote the use of nature-based solutions and climate resilience measures, including areas related to water, land degradation and agrifood sector, and explore areas of capacity building on nature finance. Policy engagement with the central bank for capacity building for climate risk management and onboarding of local financial institutions for transition planning. Expand green finance and green economy transition investments via local banks, including through dedicated green frameworks. Support the reform of the regulatory framework across various sectors (such as banking and agribusiness) to enhance resource efficiency and climate resilience. Support interventions that incentivise green consumer behaviour (e.g. financing for smart metering). Selectively support the exploration and production of minerals/critical raw materials relevant to the green transition and support the decarbonization of mining operations through promotion of cleaner energy, innovation, digitalization, skills development and resource efficiency. 	<ul style="list-style-type: none"> Number of legal, institutional and/or regulatory improvements supporting climate adaptation and resilience CO2 emissions reduced (Ktonnes/y) Legal, regulatory, and institutional changes (e.g., tariff reform) and/or operational improvements as targeted Number of investments in minerals/metals critical for the green energy transition.
Improved governance and business environment	<ul style="list-style-type: none"> Help adjust legal framework and support capacity building to facilitate increased private sector share in the economy, including in public services, energy, and infrastructure (such as HPPs with private sector). Support e-government initiatives, undertaken by government agencies, e.g. ministry of justice. Support capacity building for project preparation and implementation in the public sector. Promote SOE and SOB reforms, such as corporate governance improvements. Support enhanced corporate governance in the private sector, including at client level. Support further reform for the digitalisation of public procurement (e-Catalogue), strategic centralised purchasing to boost private sector participation in public procurement, and market access of international investors to public contracts. Contribute to refining legislative framework and advise on PPPs. Support mining companies improve their environmental, social, inclusion and governance practices. 	<ul style="list-style-type: none"> Legal, institutional and regulatory improvements to the business environment Number of clients improving corporate governance and/or standards (incl. SOEs) SOEs legal and regulatory reforms implemented (qualitative)

Well-Governed



Green



6. Mapping of International Partners' Complementarity in EBRD Business Areas

EBRD Business Areas

		Sectors								Cross-cutting Themes				
		Industry, Commerce & Agribusiness					Sustainable Infrastructure		FI		Strategic Initiatives			
Indicative annual average annual investments/ grants (€m, 2019-2023)		Agribusiness	Manufacturing & Services	Property & Tourism	TMT	Natural resources	Energy	Infrastructure	Banking	Non-Bank FIs	Green Economy	Inclusion & Gender	Local Currency & Capital Markets	Small Business
WB	152	€					€	€				€		€
ADB	109	€			€P		€P	€P	€P	€P		€P	€P	€
EU	35	€			€			P			€P	€		€P
SECO	22						€	€		€P	€	€		€
IFC	7				€				€	€				€
EBRD	48	€	€	€	€	€	€P	€	€		€	€P		€

€ Area of significant investments

● Focus mostly on private sector

P Area of significant policy engagement

○ Focus mostly on public sector

Potential Areas of Cooperation



Green

- Continue cooperation with the EU to promote energy and water resource efficiency investments. Foster the development of green municipal infrastructure and green mobility with the ADB.



Resilient

- Improve resilience of the energy and water sectors with the World Bank.



Inclusive

- Pursue opportunities with the World Bank to promote youth and women entrepreneurship, skills development, and job opportunities.



Integrated

- Pursue opportunities with ADB and the World Bank to co-finance improvements in transport and logistics infrastructure, including as part of the Trans-Caspian Transport Corridor.



Competitive

- Continue cooperation with SECO to promote the competitiveness of SMEs.



Well-Governed

- Work with the World Bank and other IFIs present in the country on governance issues, including on governance and procurement improvements in jointly financed projects.

Note: IFI activity mapping based on publicly available information. Significant IFI investment defined as projects exceeding 5% of annual investment and signed between 2019 and 2023

7. Implementation Risks and Environmental and Social Implications



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Risks to the strategy implementation	Probability	Effect	Environmental and social implications
Dependence on large hydropower, compounded by years of underinvestment in the water sector, makes the country vulnerable to seasonal fluctuations in water supply and longer-term climate risks.	Medium	High	<ul style="list-style-type: none"> • Assessment and Management of Environmental and Social Impacts, Stakeholder Engagement: Ensure that direct, indirect and cumulative impacts of projects are appropriately assessed and mitigated, applying all applicable national and EU regulatory requirements, and work with clients to ensure adequate E&S implementation capacity. The Bank will work to improve clients' knowledge and practice of stakeholder engagement. • Strategic Environmental and Social Assessment: Ensure that key sectors (e.g. renewable energy) have SESA developed with the support of the governmental stakeholders to ensure allocation of the project sites based on E&S risk. Bank will look support relevant local stakeholders with potential SESA development. • Labour and Working Conditions: Ensure client HR policies/labour practices comply with EBRD requirements, paying particular attention to workers organizations, child & forced labour, working time & wage standards, potential discrimination towards minority groups and women, and employment terms and conditions of migrant/seasonal workers. Large scale retrenchment may be associated with privatisation, requiring specific planning. TC funds will be needed to ensure supply chains considerations are included in the project and implemented by Clients. Clients' capacity to manage supply chain risks in agricultural, textile, and renewable energy sector may require elevated attention. • Resource Efficiency and Pollution Prevention and Control: EBRD investments will aim to reduce water and soil contamination/degradation, GHG emissions, and use of harmful chemicals. EBRD will help improve municipal services, incl. infrastructure and systems to reduce water losses and encourage waste separation and recycling. Use of water resources may require TC funds for capacity building as it has potential implications on all projects involving water management (e.g. development of HPP schemes). Additionally, regionally there is potential scaling up of renewables, enhancing grids and storage, promoting zero-carbon fuels and phasing out unabated fossil fuels, which might require TC support. • Biodiversity Conservation and Sustainable Management of Living Natural Resources: Improvements to the connectivity and integration of energy and infrastructure projects, extensive water use leading to scarcity and land degradation may affect natural assets and habitats resulting in loss of habitat and significant biodiversity impacts. EBRD will ensure robust biodiversity impact assessments of sensitive projects are carried out and provide TC support where needed on biodiversity. Evaluate nature-related risks and pursue nature-related opportunities to ensure that critical ecosystem services are maintained or enhanced. This could be accomplished via the EBRD's Natural Capital Valuation (NCV) approach. • Health and Safety: EBRD will aim to improve occupational and community health & safety standards across sectors. Road and traffic safety including CAREC region initiatives and fleet management are priorities for infrastructure projects and may require TC funds. • Land Acquisition, Involuntary Resettlement and Economic Displacement: EBRD will encourage clients to improve consultation & information provision with affected people on their rights and entitlements. Where land users have no legal titles, clients will need to ensure compensation and livelihood restoration are provided in accordance with EBRD ESP requirements, which may need TC support. • Cultural Heritage: Work with clients and authorised state agencies to identify and consult with key stakeholders to protect cultural heritage. EBRD will work with clients to promote good international practices for preserving heritage sites associated with the projects. • Financial Intermediaries: Ensure that FI partners have adequate E&S capacity and risk management procedures in place and diligently apply relevant E&S requirements to projects financed under EBRD credit lines and other facilities. • Monitoring and supervision: Work with clients to monitor E&S performance and address legacy issues associated with the Bank's portfolio. Use TC funds to support capacity building and awareness improvement.
The private sector is vulnerable to the risk of secondary sanctions on Kyrgyz companies, and the potential impact of remittances fluctuations from Russia. Despite extensive efforts to enforce compliance with sanctions, halting intermediate trade operations proves impractical due to the country's reliance on Russia, prevalent informality, and institutional weaknesses.	High	High	
Weak administrative capacity and political instability may affect the pace of reforms and delay project preparation/implementation.	High	High	
Government-subsidized funding and support from the Russian-Kyrgyz Development Fund distort the corporate loan market, potentially diminishing the appeal of EBRD funding.	Medium	Medium	
The Kyrgyz economy's lack of diversification makes it particularly vulnerable to external shocks, recession in economic partners, and adverse geopolitical events.	High	High	
Despite a generally positive attitude towards FDIs, foreign investors face heightened scrutiny compared to domestic counterparts , while the renationalization of the Kumtor mine raises questions about the effectiveness of privatization efforts and the overall business environment.	High	High	

High Medium Low

PUBLIC

8. Donor Partnership Assessment



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Needs Assessment for the New Country Strategy Period

Donor funds and SSF will play an integral role in the achievement of the upcoming Country Strategy in Kyrgyz Republic, which focuses on enhancing private sector competitiveness, developing sustainable infrastructure, and promoting a climate-resilient and well-governed economy:

- Incentive grants and risk-sharing instruments will be pivotal in credit lines dedicated to improving access to finance for women, youth and other underserved groups.
- TC grants will be essential to support capacity building for SMEs, policy reforms to strengthen the energy market, and advisory programmes to enable financial inclusion.
- Sustainable infrastructure, power sector, and connectivity projects will continue requiring capex grants to increase affordability, and TC grants for project preparation.
- Improvements of corporate governance, enhancing digitalisation of government, and supporting Paris Alignment strategies will rely upon TC grants.

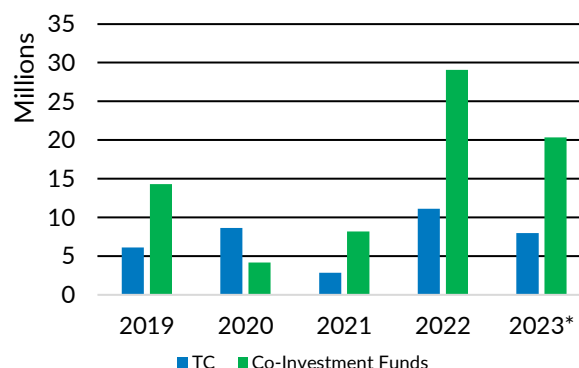
Potential Sources of Donor Funds

- The EBRD Shareholder Special Fund has provided crucial concessional resources to Kyrgyz Republic for the last four years, mainly in the form of co-investment grants in Sustainable Infrastructure and Financial Institution projects. In light of the reprioritisation of geographical focus and sectors by some of the donors, SSF will play an enhanced investment- and impact-enabling role in these areas.
- The EU's current multi-annual program outlines alignment with country's strategic priorities, including digital transformation and the development of a green and sustainable economy. With a priority area in integrated water resource management, the EU plans to continue its support for the development of municipal infrastructure, especially for drinking water, sanitation, wastewater, solid waste, and climate-resilient irrigation networks.
- TC as well as capex grants and other co-investment instruments are available from some bilateral donors, including Japan, and Türkiye among others. These donors have focused on supporting green, digitalisation, gender and economic inclusion, as well as policy and legal reform.
- The Kyrgyz Republic is an eligible country for concessional resources from the EBRD Sustainable Infrastructure Fund, SBIF, the Global Environment Facility, and HIPCA.

Selected Affordability Indicators

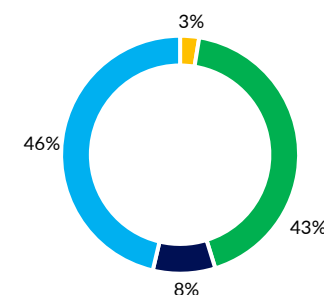
	EBRD regional percentile rank ¹	
GDP per capita (PPP, current. \$) ²	5,930	3%
ODA Country	Yes	N/A
ODA as share of Gross National Income (%) ³	6.12	87%
ODA per capita (\$ - current prices) ³	73.32	50%

Donor finance during 2019-2023* (€m)⁴

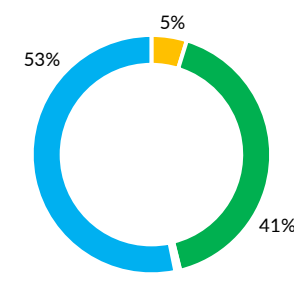


Use of funds in 2019-2023*⁵

TC Grants



Co-Investment funds



1. Simple percentile rank reported as the share of EBRD economies represented below Kyrgyz Republic. 2. WDI (2022) 3. OECD (2021) 4. Methodology for reporting co-investment amounts has changed from being based on client signings to being based on earmarks at commitment level in 2022. 2019-2023 TC data and 2022-2023 Co-investment funds amounts are based on earmarks at commitment level, and co-investment funds amounts 2019-2021 are based on client signings. 5. Based on the primary Transition Quality of concessional resources. *Preliminary figures.

Annex



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Annex 1 – Political Assessment in the Context of Article 1 (1/7)

Although the Kyrgyz Republic remains committed to the political principles of the Article 1 and their application as set out in the Articles Establishing the Bank, in the period since the previous Country Strategy was approved in July 2019, implementation has been patchy and, in important respects, has reversed. Since independence, international bodies responsible for monitoring democracy and human rights standards have generally assessed the Kyrgyz Republic positively, certainly in the regional context, however, in recent years, they have repeatedly raised concerns about a steady and serious deterioration in its performance in this respect.

The context for this Political Assessment was set by the constitutional and legal void which opened up after the annulment of the October 2020 parliamentary elections. The transition to a new legitimate order involved presidential elections in January 2021, the adoption of a new Constitution in May after a referendum in April and finally parliamentary elections in November. Under the leadership of President Japarov, power has been centralised to a high degree in the presidency. The security services have been given the political authority to carry out a wide-ranging clampdown on organised crime, corruption and tax evasion. President Japarov has concluded a landmark border demarcation agreement with Uzbekistan and, in the wake of border clashes with Tajikistan in 2021-22 in which hundreds of people were killed, he has overseen negotiations on an agreement with Tajikistan which, reportedly, have made good progress.

The Kyrgyz Republic has maintained a high level of engagement with international bodies responsible for monitoring democracy and human rights standards. In January 2023 it began a two-year term as a member of the UN Human Rights Council. However, relevant bodies have assessed a steady and serious deterioration in the country's performance in terms of democracy and human rights standards. The Council of Europe Venice Commission and the OSCE Office for Democratic Institutions and Human Rights (ODIHR) in a Joint Opinion on the then draft new Constitution in March 2021, concluded that in terms of separation of powers, independence of the judiciary and some provisions relating to human rights protections it was not in line with

international standards. The ODIHR election observation missions for the January 2021 presidential elections and the November 2021 parliamentary elections made a series of criticisms of their conduct. In December 2022, the UN Human Rights Committee raised a series of serious concerns about the independence of the judiciary, the situation for independent media and civil society and gender inclusion. A series of statements by the UN Office of the High Commissioner for Human Rights (OHCHR) and OSCE bodies have reiterated those concerns. Relevant international bodies raised serious concerns about the passing into law in April 2024 of a law which would require CSOs receiving foreign funding to register as “foreign representatives.”

FREE ELECTIONS AND REPRESENTATIVE GOVERNMENT

Free, fair and competitive elections

The Kyrgyz Constitution, adopted in May 2021 after a referendum in April, sets out the basis for free, fair and competitive elections. Article 2, paragraphs 3-4 states, “Citizens of the Kyrgyz Republic exercise their power directly at elections and referendums... elections and referendums shall be held on the basis of free, universal, equal and direct suffrage by secret ballot.” Reflecting the long-standing problem in the Kyrgyz Republic of the incumbent using “administrative resources” and “vote-buying” to undermine the democratic process, paragraph six states, “It is forbidden to influence the free choice of voters by using financial, administrative and other resources...”¹

The new Kyrgyz authorities were successful restoring democratic legitimacy in the wake of the October 2020 political crisis; neither the January nor the November 2021 elections were afflicted by the abuse of “administrative resources” or “vote-buying” to the extent that they had in the October 2020 parliamentary elections. However, the relevant legal framework² and the conduct of the presidential elections in January 2021 (held under the provisions of the 2010 Constitution) and the parliamentary elections in November 2021 indicated that application of the principles set out in the Constitution was weak.

¹ It was the perception that the abuse of “administrative resources” and vote buying had undermined the legitimacy of the October 2020 elections which provoked the protests leading to the resignation of President Jeenbekov and the election of Sadyr Japarov as President and the adoption of a new Constitution. Chapter III of the Constitution set out a further set of protections against these abuses.

² For example, the Venice Commission expressed concern about the constitutional protections for the independence of the Central Electoral Commission. Joint Opinion on the Draft Constitution of the Kyrgyz Republic, March 2021, p 6.

Annex 1 – Political Assessment in the Context of Article 1 (2/7)

The OSCE/ODIHR Election Observation Mission (EOM) report on the November 2021 parliamentary elections concluded that the election provided genuine competition, that “candidates were able to campaign freely, and fundamental freedoms were generally respected” and praised the overall administration of the election.³ But it also contained a series of criticisms, that meaningful voter engagement had been hindered by constitutional changes, the rules for conducting the election and a stifled campaign.⁴ The election legislation provided an adequate basis for democratic elections “but the overall legal framework is undermined by limitations on civil and political rights and diminished separation of powers and independence of the judiciary.”⁵

Separation of powers and effective checks and balance

The shift from a mixed presidential/parliamentary system to a presidential system was overwhelmingly approved in a question included in the January 2021 presidential election. However, the Constitution sets out an inadequate basis for the separation of powers and effective checks and balances. Although Article 4 states that state power is based on the “division into legislative, executive and judicial functions”, the Constitution sets out the basis for a disproportionate concentration of power in the presidency. There are also concerns about the lack of protections for the independence of the judiciary (see section below).

In their Joint Opinion on the 2021 Constitution, the Council of Europe Venice Commission and the OSCE Office for Democracy and Human Rights [hereafter Venice Commission] concluded “that many provisions regulating the institutional framework and separation of powers, defining the powers and competencies of the President, the Parliament (Jogorku Kenesh) and the Judiciary, as well as some provisions dealing with human rights and freedoms are not in line with international standards and OSCE commitments.”⁶

The Venice Commission recommended reconsidering the provisions allowing the President to “appoint and dismiss almost the entire administration of the state”, including the Cabinet of Ministers, Prosecutor General etc, and his/her role powers over the judiciary, to dissolve local councils and his/her power to initiate referendums.⁷ These recommendations were not adopted by the Kyrgyz authorities. The Constitution confirmed the abolition of the post of Prime Minister. Article 89 states that the Cabinet of Ministers is chaired by the Head of the Presidential Administration under the direction of the President.

The Constitution describes the Jogorku Kenesh as the “highest representative body, exercising legislative and oversight functions.” But the Venice Commission expressed concern over its weak powers. It called for the Constitution to give it stronger powers to support its role as a check on the presidency and executive including the right to initiate and review draft laws and exercise oversight of the state budget.⁸

Effective power to govern of elected officials

The Constitution sets out the basis for elected officials to govern. Article 1, paragraph 4 states, “The people of the Kyrgyz Republic are the bearer of sovereignty and the only source of state power.” This principle is repeated elsewhere in the Constitution.

The Constitution defines the Kyrgyz Republic as a secular state and sets out the principle of the separation of state and religion. Article 9 stipulates that, “Religious associations, clergymen and ministers of religion must not interfere in the work of state bodies.” Religious bodies and organisations do not exert an undue influence over the country’s political decision-making processes.

³ ODIHR Election Observation Mission, Final Report, May 2022, p 13.

⁴ The choice put before the electorate was confusing with a number of parties expressing support for the President who refused to endorse any of them, as well as a number articulating opposition. The overall legitimacy of the parliamentary election was undermined by a low turn-out of only 34%. The January 2021 presidential elections also suffered from a low turn-out of 39%.

⁵ ODIHR Election Observation Mission, Final Report, May 2022, p 1.

⁶ Joint Opinion on the Draft Constitution of the Kyrgyz Republic, March 2021, pp 4-5.

⁷ Joint Opinion on the Draft Constitution of the Kyrgyz Republic, March 2021, p 5. The President’s appointments to the Cabinet are subject to parliamentary approval.

⁸ Joint Opinion on the Draft Constitution of the Kyrgyz Republic, March 2021, p 5.

Annex 1 – Political Assessment in the Context of Article 1 (3/7)

The State Committee for National Security (GKNB) is under civilian control but there has been growing concern about its accountability.⁹ There has been a significant increase in its role in delivering in law enforcement and in measures directed against independent media and civil society. A wide-ranging and thorough clampdown on organised crime in the autumn of 2023 in which the GKNB played a leading role raised concerns about due process.

The military is under civilian control and does not exert an undue influence over the country's political decision-making processes.

CIVIL SOCIETY, MEDIA AND PARTICIPATION

Scale and independence of civil society

The Constitution sets out the basis for an independent civil society. Article 8 states that, “Political parties, trade unions and other public associations” can be established but stipulates a series of approved aims (“the realisation of the rights, freedoms and interests of the person and citizen”) and conditions (not undermining national security and ensuring financial transparency) for their operation. Relevant international bodies have expressed concerns about a concerted effort by the authorities to reduce the space for independent civil society, particularly since the end of 2022. Protests against a draft border agreement with Uzbekistan in autumn 2022 was followed by a wide-ranging clampdown on independent media and civil society, which has continued to the present.¹⁰

The UN Human Rights Committee expressed deep concerns about the Law on Non-Profit Organizations, adopted in 2021 for imposing unreasonable and burdensome reporting requirements on non-governmental organizations. The Committee noted with concern that the State party did not consider numerous appeals from international human rights mechanisms and civil society regarding the disproportionality of the obligations imposed.¹¹

President Japarov signed into a law “foreign representatives” bill, similar to a Russian law, which would restrict the activities of CSOs in receipt of foreign funding in April 2024. The EU noted in its Human Rights Dialogue with the Kyrgyz Republic in November 2023 that “legislation currently in preparation by the Kyrgyz Republic seeking to restrict so-called “foreign agents” might impact the ability of the EU and other international donors to carry out cooperation activities...” In April 2024, the Spokesperson for the UN HCHR expressed serious concerns that the law would “pose a serious threat to the work” of CSOs and violate basic rights.¹²

Independence and pluralism of media operating without censorship

The Constitution sets out the basis for an independent media. Article 10 sets out the right of the media to receive information from state bodies and not to be subject to censorship but stipulates conditions (protection of young people and a prohibition on activity that contradicts moral values) for their operation. Article 29, paragraph 2 prohibits criminal prosecution for libel against any individual. Since the end of 2022, there has been a concerted effort by the authorities to reduce the space for independent media. International bodies which monitor media freedom have assessed a sharp deterioration in the state of media freedom.

The UN Human Rights Committee expressed a series of concerns about the state of media freedom, particularly “about reports of undue government pressure on human rights defenders, lawyers, politicians, journalists and other individuals for expressing their opinion, in particular opinions that are critical of the Government’s initiatives, including the initiation of criminal proceedings against bloggers and journalists.”

⁹ The Head of the GKNB is appointed by the President and its activity is supervised by the Security Council which is appointed and chaired by the President.

¹⁰ International bodies responsible for monitoring human rights standards raised a series of concerns about the treatment of the detained activists. See, for example, the Comment by the UN OHCHR Spokesperson, October 2022.

¹¹ Concluding observations on the third periodic report of Kyrgyzstan, December 2022, p 11.

¹² Relevant international and Kyrgyz CSOs have repeatedly raised concerns about this bill.

Annex 1 – Political Assessment in the Context of Article 1 (4/7)

It also expressed concern about new laws and proposed legal changes including provisions of the Law on Protection from Unreliable (False) Information, which allow executive bodies to block any Internet resource without due process, the Law on the National Television and Radio Broadcasting Corporation of the Kyrgyz Republic, which excludes public oversight of the work of the national broadcasting corporation as well as a proposed media law which would require the re-registration of all media outlets.¹³

These concerns have intensified in the past year as the authorities have taken steps to close a series of independent media outlets. The EU expressed its concerns in its Human Rights Dialogue with the Kyrgyz Republic in November 2023 at “negative recent trends in the Kyrgyz Republic, not least an increasingly restrictive media environment and growing restrictions on the freedom of expression.”

In January 2024, a Spokesperson for the UN Office of the High Commissioner for Human Rights raised concerns about actions by the Kyrgyz authorities which appeared “to be part of a larger pattern of pressure against civil society activists, journalists and other critics of the authorities.” She also raised concerns about “a draft law on mass media, which would restrict the right to freedom of expression which includes media freedom.”

Multiple channels of civic and political participation

The Constitution, Article 7, also referred to the existence of a new appointed body, the People’s Kurultay as a “deliberative, supervisory assembly” which gives “recommendations on social development”, although without providing a dedicated section describing its functions. It is too early to say how effectively this body will act as an additional channel for civic participation. The Venice Commission recommended clarifying its “status, composition and functions” and reconsidering its powers, including proposing the dismissal of members of the Cabinet, appointing members of the Judicial Council etc.¹⁴

In January 2024, President Japarov signed a law abolishing public councils, made up of members of the public, including civil society activists, which monitor the work of government bodies.

Freedom to form political parties and existence of organised opposition.

As noted in the section on civil society, the Constitution, Article 8 sets out the right to form political parties but also sets out a series of conditions which are proscriptive rather than permissive. Opposition candidates and parties were able to take part in the January 2021 presidential elections and the November 2021 parliamentary elections. However, there have been signs of a chilling of the environment for opposition activity. In March 2024, Adakhan Madumarov, the main opposition candidate in the presidential elections and leader of the One Kyrgyzstan party, was convicted of fraud and allegedly signing an agreement with Tajikistan in 2009 which was not in the national interests of Kyrgyzstan and stripped of his parliamentary mandate.

RULE OF LAW AND ACCESS TO JUSTICE

Supremacy of the law

The context for this Political Assessment was set by the constitutional and legal void which opened up after the annulment of the October 2020 parliamentary elections. The transitional arrangements that followed were inevitably the product of ad hoc improvisation. Following a period of uncertainty regarding the appointment of an Interim President, the then parliament took the unilateral decision to extend its mandate for a period which eventually extended for over a year until new parliamentary elections took place in November 2021.¹⁵

¹³ UN Human Rights Committee in its Concluding observations on the third periodic report of Kyrgyzstan, December 2022, p 10.

¹⁴ Joint Opinion on the Draft Constitution of the Kyrgyz Republic, March 2021, p 6.

¹⁵ Concerns have been raised about the legitimacy of some of the decisions that parliament took during that period which affected the country’s long-term development.

Annex 1 – Political Assessment in the Context of Article 1 (5/7)

In January 2021, Sadyr Japarov was elected President under the provisions of the 2010 Constitution only three months before the overwhelming approval in a referendum of a new Constitution in April 2021. The process of constitutional revision was comprehensive. A referendum question put to voters at the same time as the presidential elections, endorsed the shift to a presidential system. The political, constitutional and legal framework which emerged after new parliamentary elections under the provisions of a new Constitution took place in September had radically changed.¹⁶

The Constitution sets out the basis for the supremacy of the law. Article 6 sets out a series of relevant protections, including that the “principles and norms of international law” and international treaties” are an “integral part of the legal system.” The Venice Commission Joint Opinion welcomed the re-establishment of the Constitutional Court in the 2021 Constitution.¹⁷

The UN Human Rights Committee has expressed concern about the quasi-judicial role played by Elders’ (Aksakal) Courts to resolve disputes between citizens, although they did not have official legal status and their members did not have legal training. It noted that they could “decide cases on the basis of traditional cultural and moral norms, which may adversely affect vulnerable groups, particularly women and children.”¹⁸

Independence of judiciary

The Constitution sets out the partial basis for the independence of the judiciary. Article 95 sets out a series of protections for judicial independence. However, a number of other provisions give a disproportionate role to the President in appointing and regulating the judiciary. The Venice Commission recommended re-considering the provisions of the Constitution to “reinforce the independence of the judiciary from the legislative and executive branches of power, including the President.” Specifically the Venice Commission recommended that “judge members of the Judicial Council are chosen by the judiciary and should ensure the representation of the judiciary at all levels;

explicitly stipulating the principles of irremovability and security of tenure; reconsidering entirely the probationary period of five years for judges; reconsidering the provisions on transfer of judges and strengthening the decision-making powers of the Judicial Council regarding the appointment, promotion, transfer and disciplinary procedure for all judges, except for the Constitutional Court judges.”¹⁹ These recommendations were not adopted by the Kyrgyz authorities.

Government and citizens equally subject to the law

The Constitution sets out the basis for government and citizens to be equally subject to the law. Article 15 sets out a series of protections for property including from arbitrary seizure by the state. Article 24, paragraph 2 states that, “Everyone is equal before the law and the courts.” Article 104 stipulates that “justice is administered free of charge” including for those who are unable to pay the cost of proceedings.

Effective policies and institutions to prevent corruption

The Constitution sets out the importance of eliminating corruption. Article 4 states that state power should include the “prohibition of state and municipal officials carrying out activities (or by negligence) which create the conditions for corruption.” An important factor in the October 2020 protests, the resignation of President Jeenbekov and the public support for a shift to a strong presidential system was frustration with pervasive and persistent corruption. Since taking power, President Japarov has led a campaign to persuade businesspeople and entrepreneurs to make payments to the state to cover non-payment of taxes and other forms of illegal assets in return for not being prosecuted. In the autumn of 2023, the authorities launched a concerted campaign to clamp down on organised crime with a well-known kingpin being killed and many other figures being taken into detention. These efforts appear to enjoy widespread public support.

¹⁶ The Venice Commission expressed concerns about the hasty timetable for the drafting of the Constitution and the lack of adequate public consultation.

¹⁷ Joint Opinion on the Draft Constitution of the Kyrgyz Republic, March 2021, p 4. In October 2023, President Japarov signed a law which allows its decisions to be reviewed if objections are raised by the President. It is too early to assess the implications of this measure.

¹⁸ UN Human Rights Committee in its Concluding observations on the third periodic report of Kyrgyzstan, December 2022, p 9.

¹⁹ Joint Opinion on the Draft Constitution of the Kyrgyz Republic, 19 March 2021, p 6. Many of these concerns were repeated by the UN Human Rights Committee, UN Human Rights Committee in its Concluding observations on the third periodic report of Kyrgyzstan, December 2022, p 9.

Annex 1 – Political Assessment in the Context of Article 1 (6/7)

International bodies responsible for monitoring countries' efforts to tackle corruption have expressed concern about the current anti-corruption campaign by the Kyrgyz authorities. The UN Human Rights Committee expressed concern about reports "indicating a steep increase in corruption, including among judges." It also expressed concern about the lack of transparency around investigations of alleged corruption among high level officials and measures to seize allegedly illegally acquired assets.²⁰ Recently published international rankings of perceptions of corruption have also cast doubt on the success of the efforts of the Kyrgyz authorities to tackle corruption.²¹

CIVIL AND POLITICAL RIGHTS

Freedom of speech, information, religion, conscience, movement, association, assembly and private property

The Constitution sets out the basis for citizens of the Kyrgyz Republic to enjoy a wide range of civil and human rights. The Venice Commission opinion on the 2021 Constitution welcomed the prominence of these provisions.²² The Preamble affirms the "commitment to protect and respect human and civil rights and freedoms." Chapters II and III set out a series of provisions which affirm relevant protections. Article 23 makes a strong affirmation to the importance of human rights and freedoms but also sets out a series of conditions for their protection in practice. Article 53 stipulates that, "The exercise by a person of their rights and freedoms must not violate the rights and freedoms of others."

The Venice Commission recommended strengthening the constitutional provisions to avoid "vague wording and language in the formulation of the rights of individuals and the obligations of the State" and to set out clearly the protections for basic rights.

It also recommended strengthening the "institutional independence" of the Human Rights Ombudsman. The UN Human Rights Committee expressed concern that the Human Rights Ombudsman was not compliant with the principles relating to the status of national institutions for the promotion and protection of human rights (the Paris Principles).²³ International bodies responsible for monitoring democracy and human rights standards raised concerns about the decision of parliament to dismiss the Ombudsman in May 2023 in the wake of arrests of activists who opposed the border deal with Uzbekistan.²⁴

Political inclusiveness for women, ethnic and other minorities

The Constitution sets out the basis for political inclusiveness and prevention of discrimination. Article 1, paragraph 5 states that, "The people of Kyrgyzstan is made up of citizens of all ethnic groups in the Kyrgyz Republic." Article 13 states that all ethnic groups "are guaranteed the right to create the conditions for the protection, study and development of their native language." Article 24, paragraph 1 stipulates that. "No one shall be subject to discrimination on the basis of sex, race, disability, ethnicity, religion, age, political or other opinion, education, origin, property or other status or circumstances."

Relevant UN bodies have expressed concern over the lack of an explicit reference in Article 24 to sexual orientation as grounds for discrimination. Relevant international bodies have also expressed concern about the weakness of subsidiary legislation, particularly the lack of a comprehensive anti-discrimination law with protections based on sexual orientation and gender identity. They noted, in particular, that article 330 of the Criminal Code, while penalizing incitement to racial, ethnic, religious or interregional hostility or hatred, does not include hostility or hatred based on sexual orientation and gender identity.

²⁰ UN Human Rights Committee in its Concluding observations on the third periodic report of Kyrgyzstan, December 2022, p 3.

²¹ According to the Transparency International Corruption Perceptions Index, the Kyrgyz Republic's score fell from 31 to 26 between 2020 and 2022 which was reflected in a fall in its rankings out of 180 countries from 124 to 141.

²² Joint Opinion on the Draft Constitution of the Kyrgyz Republic, 19 March 2021, p 4.

²³ Specifically, the Venice Commission recommended including the functional immunity of the Ombudsman and his or her staff, during and after their term of office, from civil, administrative and criminal liability for words spoken or written, decisions made, or acts performed in good faith in their official capacities. Joint Opinion on the Draft Constitution of the Kyrgyz Republic, 19 March 2021, p 6. These concerns were reiterated by the UN Human Rights Committee in its Concluding observations on the third periodic report of Kyrgyzstan, December 2022.

²⁴ Statement of the OSCE Parliamentary Assembly's Committee on Democracy, Human Rights and Humanitarian Questions, April 2023.

Annex 1 – Political Assessment in the Context of Article 1 (7/7)

The UN Human Rights Committee has expressed concern regarding “continued reports of hate crimes and hate speech based on sexual orientation and gender identity”.²⁵ The LGBT+ community in the Kyrgyz Republic remains stigmatised and subject to societal prejudices and discrimination. CSOs have raised concerns about a law On measures to prevent harm to the health of children which came into effect in August 2023 which, inter alia, outlaws material “undermining family values” and “promoting non-traditional sexual relations.”

Since independence, the proportion of ethnic Kyrgyz in the population has grown significantly, mainly because of the outflow of ethnic Slavs. However, the Kyrgyz Republic remains an ethnically diverse country with ethnic Kyrgyz making up around 75% of the population and Uzbeks making up 15% and Russians 5%.

Although there have not been serious outbreaks of domestic inter-ethnic violence in recent years, the legacy of the June 2010 violence which affected ethnic Uzbeks in the south of the country has not been fully dealt with.²⁶ The UN Human Rights Committee remained concerned about the low level of progress achieved in increasing ethnic minorities’ representation in political bodies and decision-making positions. The Committee expressed concern about the reduction in the number of Uzbek schools and the lack of effective guarantees and concrete measures to facilitate education, including vocational or university education, in minority languages.²⁷

Paragraph 3 of the Constitution states that, “Men and women have equal rights and freedoms and equal opportunities for their realisation.” However, relevant bodies have expressed “deep concern” the continuing low level of representation of women in government. The EOM report noted the “low visibility” of women in the November 2021 parliamentary election campaign. The new parliament had only 19 female MPs (21%), although this was an increase from 17% in the previous parliament.²⁸ The UN Human Rights

Committee expressed a series of concerns about the position of women in society, including protection against domestic violence and early and forced marriage. It expressed deep concern at the high number of suspended investigations into sexual and gender-based violence and at the low number of corresponding convictions.

Freedom from harassment, intimidation and torture

The Constitution sets out the basis for citizens to be free from harassment, intimidation and torture. Chapter II and III set out a series of provisions which affirm relevant protections. Article 25 states that, “Everyone... has an inalienable right to life... no one shall be arbitrarily deprived of life. The death penalty shall be prohibited.” Article 56 (4) states, “No one shall be subjected to torture or other inhuman, cruel or degrading treatment or punishment.” However, the relevant international bodies have expressed concern about the adequacy of subsidiary legislation and its application in practice.

The UN Human Rights Committee expressed concerns about inadequate support for the National Centre for the Prevention of Torture to carry out its mandate effectively and independently and amendments to the Criminal Procedure Code. The Committee remained concerned about the “high level of impunity that exists in cases of torture and ill-treatment of persons deprived of their liberty” and about continued reports of extradition of individuals despite credible reports of risk of torture. It also expressed concern about reports of deaths in custody, allegedly caused by torture and ill-treatment as well as poor prison conditions.²⁹

²⁵ UN Human Rights Committee in its Concluding observations on the third periodic report of Kyrgyzstan, December 2022, p 3.

²⁶ The UN Human Rights Committee expressed concern that there had not been a full, independent and effective investigation into the human rights violations committed during the 2010 violence. UN Human Rights Committee in its Concluding observations on the third periodic report of Kyrgyzstan, December 2022, p 6.

²⁷ UN Human Rights Committee in its Concluding observations on the third periodic report of Kyrgyzstan, December 2022, pp 11-12.

²⁸ ODIHR Election Observation Mission, Final Report, May 2022, p 2; UN Human Rights Committee in its Concluding observations on the third periodic report of Kyrgyzstan, December 2022, p 4.

²⁹ UN Human Rights Committee in its Concluding observations on the third periodic report of Kyrgyzstan, December 2022, pp 6-8.