



## Kyrgyz Republic

### Highlights

- **The economy is growing strongly.** Real gross domestic product (GDP) showed buoyant growth of 8.4 per cent year on year in the first nine months of 2024, mainly thanks to elevated investment and domestic demand.
- **The authorities are encouraging the integration of returning emigrants into the economy.** The new “Mekenim 1+1” programme, to be piloted in the Batken region, provides matching funding to returning emigrants and to Kyrgyz nationals living abroad who are willing to invest in businesses in the Kyrgyz Republic.
- **The Kyrgyz Republic became the first Central Asian country to ratify the International Labour Organization (ILO) Violence and Harassment Convention No. 190 (C190).** The step signals the country's commitment to ensuring the fundamental right of individuals to a workplace free from violence and harassment.

### Key priorities for 2025

- **The authorities should finalise the country's border demarcation with Tajikistan.** Resolution of the long-standing dispute will enhance security, support investment confidence and enable closer regional cooperation on energy, transport and water management.
- **The sanctions compliance framework should be strengthened further.** While re-export volumes have decreased relative to 2022, according to available data, enhanced efforts are needed to ensure adherence to global sanctions arising from Russia's war on Ukraine. More emphasis should be put on capacity building to enable financial institutions and relevant government bodies to monitor and enforce sanctions compliance.
- **Transparency and governance standards need further improvement.** In recent years, the country has claimed significant progress in tackling organised crime and the informal economy. Nevertheless, further action is needed to enhance accountability and efficiency in public institutions.

### Main macroeconomic indicators (per cent)

	2020	2021	2022	2023	2024 proj.
GDP growth	-7.2	5.5	6.3	4.2	9.0
Inflation (average)	6.3	11.9	13.9	10.8	6.7
Government balance/GDP	-2.1	0.0	0.8	3.3	-0.3
Current account balance/GDP	4.5	-8.0	-43.6	-30.4	-9.5
Net FDI/GDP [neg. sign = inflows]	4.9	-2.4	-0.5	-3.5	na
External debt/GDP	112.3	105.8	80.3	72.3	na
Gross reserves/GDP	33.9	32.2	24.0	25.3	na
Credit to private sector/GDP	26.6	24.2	20.8	21.7	na

## Macroeconomic developments and policy response

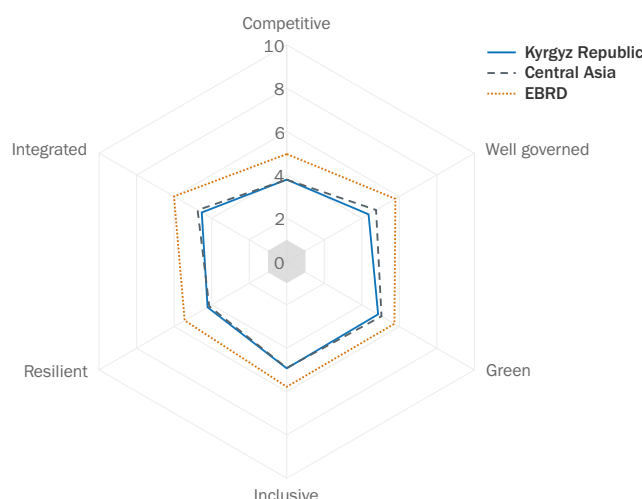
**Growth has accelerated significantly in 2024.** In January-September 2024, real GDP grew by 8.4 per cent year on year on the back of buoyant demand and investment. Fixed capital investment expanded by 52.1 per cent year on year, including a doubling of public investment. In the first eight months of 2024, elevated tourist arrivals, coupled with growing net remittances (up 21.0 per cent year on year) and real wages (up 6.3 per cent year on year), fuelled a consumption boom, boosting retail and wholesale trade (up 16.6 per cent year on year in January-September 2024), hotels, restaurants and catering (up 18.8 per cent year on year) and passenger transportation (up 8.6 per cent year on year). Solid growth in the production of textiles (up 13.2 per cent year on year), computers and electronics (up almost 4.5-fold year on year), and vehicles and equipment (up 1.5-fold year on year) offset a decline in mining (down 0.7 per cent year on year) and base metal production (down 5.1 per cent year on year), supporting the industrial sector (up 4.2 per cent year on year). In January-August 2024, exports added 13.1 per cent year on year, thanks to increasing gold exports (up 17 per cent year on year). Imports grew 8.1 per cent year on year on the back of a notable expansion in the imports of petroleum products (up 1.6-fold year on year), equipment (up 1.6-fold year on year), and natural and liquefied gas (up 1.6-fold year on year).

**Inflation has dropped to low levels.** The rate of inflation in the Kyrgyz Republic, at 4.9 per cent in September 2024, is the second lowest in the region. In May 2024, the National Bank of the Kyrgyz Republic opted to ease policy for the first time since November 2022, cutting the policy rate to 9 per cent. In the 10 months to October 2024, the Kyrgyz som (KGS) appreciated 3.6 per cent against the US dollar, largely thanks to increased remittances and FDI.

**The fiscal position on revenue mobilisation continues to improve.** In January-August 2024, budget revenues increased by 18.0 per cent year on year thanks to an impressive uptick in tax receipts (up 18.4 per cent year on year). In contrast, expenditures grew only 8.1 per cent year on year, resulting in a budget surplus of 6.2 per cent of GDP (compared with a surplus of 3.3 per cent of GDP in January-August 2023). The country's international reserves reached US\$ 4.8 billion (€4.4 billion) in October 2024, the highest level since 2010, covering 4.7 months of imports and cushioning the country against potential external risks.

**Strong economic growth is expected to continue in the short term.** Real GDP growth is projected to reach 9.0 per cent in 2024 and moderate slightly to 7.0 per cent in 2025. There is significant upside potential to the outlook, including from increases in silver and gold exports, growth in tourism and accelerated infrastructure investment. On the downside, secondary sanctions remain a threat, despite the authorities' efforts to ensure compliance with international sanctions on dealings with Russia.

### Assessment of transition qualities (1-10)



## Structural reform developments

**The National Investment Agency proposed a new version of the Law on Investments.** The draft document, published in November 2023, seeks to level the playing field for national and foreign investors. It defines investor rights in cases of expropriation and proposes a dispute resolution mechanism. Earlier in 2023, in a measure designed to facilitate foreign investment, the Kyrgyz Cabinet of Ministers approved a bill granting five- and ten-year investor visas to foreigners meeting certain investment thresholds.

**Significant progress has been made on resolving long-standing border issues with Tajikistan.** As of August 2024, the two countries had agreed on 94 per cent of disputed territories. A full resolution of the border issue will enhance cross-border cooperation, improve security, and facilitate investment and trade.

**Measures are being taken to mitigate the risk of secondary sanctions.** In August 2024, the central bank asked local banks to strengthen know-your-client practices and to halt business interactions with parties identified in Western sanctions lists, including Sberbank, MTS Bank, Tinkoff Bank and the Russian national card payment system, NSPK.

**The introduction of a foreign agent-style law may hinder civic freedoms.** In April 2024, the president signed a new law on non-governmental organisations (NGOs). The law requires NGOs to submit financial reports, register with the Ministry of Justice and disclose foreign funding. Those receiving foreign funds will be classified as “foreign agents” and will be subject to additional reports and inspections.

**An anti-corruption strategy for 2025-30 was introduced.** On 5 June 2024, the president approved a new anti-corruption strategy and an action plan for its implementation. It focuses on introducing effective anti-corruption measures, increasing trust in government agencies and fostering intolerance for corrupt practices.

**The Kyrgyz government ratified ILO C190.** C190 affirms the fundamental right of individuals to a workplace free from violence and harassment. By ratifying the convention in March 2024, the Kyrgyz Republic became the first country in Central Asia to do so. The authorities will now start implementing legislative reforms to align with C190.

**Efforts to facilitate gender inclusion are ongoing.** In March 2024, the authorities endorsed a state programme to support women’s leadership that will run to 2030. With the goal of increasing female participation in decision-making, the programme aims to prepare women for leadership roles, including through the provision of training opportunities and job placements, and the creation of a pool of female candidates capable of and interested in taking managerial positions.

**Measures to bring back labour migrants are being developed.** Inspired by the successful example of Moldova, the “Mekenim 1+1” programme aims to encourage returning migrants (as well as those still living abroad) to invest in businesses in the Kyrgyz Republic by providing matching funds. Both migrants and their immediate relatives are eligible for the programme. A pilot is expected to be launched in the Batken region.

**The China-Kyrgyz Republic-Uzbekistan railroad project is gaining steam.** On 6 June 2024, the three countries signed a trilateral government agreement to build a new railway. A 523 km railway line will connect the three countries, facilitating trade links and boosting the Kyrgyz Republic’s transit potential.

**Digital initiatives are ongoing.** On 5 April 2024 the government introduced a new digital development concept for 2024-28. The concept envisages enhancing government efficiency, reducing bureaucracy and enabling better interaction between citizens, businesses and the state through digital platforms. As well as prioritising artificial intelligence, it includes plans to integrate government information systems and databases to foster data-driven decision-making. The EBRD is actively supporting the authorities’ e-Governance reform agenda. In February 2024, under the existing framework agreement, the EBRD supported the launch of e-registration for businesses and e-notary systems. The Bank also supports the ongoing implementation of e-remote identification for the banking sector to promote access to finance. ●