



Kyrgyzstan

Population ¹	6,198,200
Area (km ²) ¹	199,950
GDP per capita (USD) ¹	1,242.77
TPES (Mtoe) ²	3.86
Energy intensity (toe/10 ³ 2010 USD) ²	0.61
CO ₂ emissions - energy (MtCO ₂) ²	9.30

Sources:

1. The World Bank 2017

2. ©IEA 2018, www.iea.org/statistics

Kyrgyzstan's overall risk level against the assessed areas is **low**.

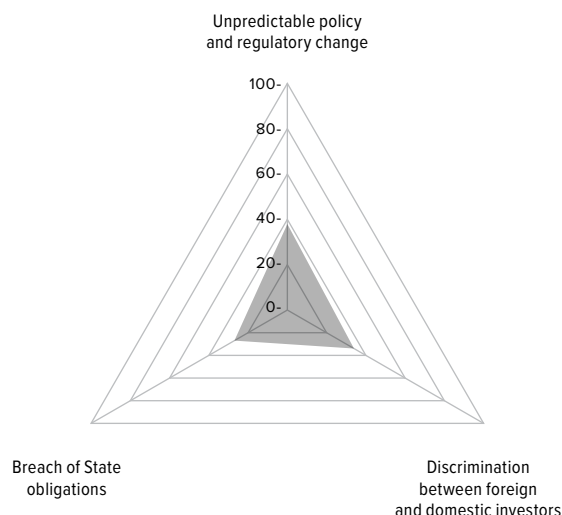
Among the three risk areas, *breach of State obligations* and *discrimination between foreign and domestic investors* remain lower compared to *unpredictable policy and regulatory change*.

Kyrgyzstan's performance is good on of the two EIRA indicators. It is moderate on one indicator and low on the other. Its score on *rule of law* has improved by 5 points and now stands at 73. On *management of decision-making processes* and *regulatory environment and investment conditions* the score remains the same as last year at 72 and 54, respectively. The indicator *foresight of policy and regulatory change* has improved from 38 to 40 points.

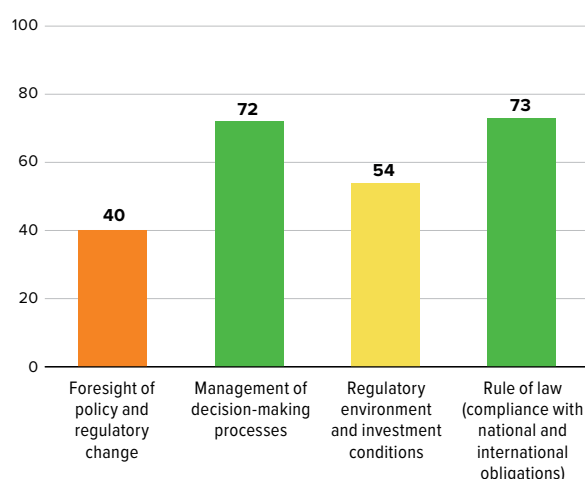
On a more detailed level, Kyrgyzstan's overall sub-indicator performance is moderate. *Management and settlement of investor-State disputes* is the highest-scoring sub-indicator this year with 95 points, followed by *transparency*, again with 81 points. The score for *restrictions on FDI* remains the same (70). There has been no alteration in the performance on *institutional governance* (63), *robustness of policy goals and commitments* and *respect for property rights* (both at 50). *Regulatory effectiveness* and *communication of vision and policies* continue to be the lowest-scoring sub-indicators with 39 and 31 points, respectively.

While there are some improvements in Kyrgyzstan's performance compared to 2018, further steps must be taken to build on the work done. Attention should be given to enhancing the country's regulatory effectiveness and better communicating its energy vision and policies.

RISK LEVEL



INDICATOR PERFORMANCE

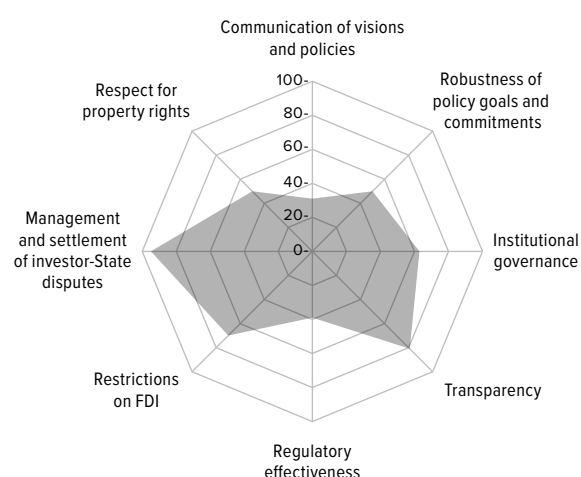


YEAR-ON-YEAR COMPARISON

RISK AREAS	2018	2019
Unpredictable policy and regulatory change	41	38
Discrimination between foreign and domestic investors	35	34
Breach of State obligations	32	27

INDICATORS	2018	2019
Foresight of policy and regulatory change	38	40
Management of decision-making processes	72	72
Regulatory environment and investment conditions	54	54
Rule of law	68	73

SUB-INDICATOR PERFORMANCE



Foresight of policy and regulatory change

QUICK FACTS

The National Energy Programme for 2008-2010 and the Strategy for Development of the Fuel and Energy Sector until 2025 (approved in 2008) are the country's primary energy policies.

Resolution no. 141 was passed in March 2019 to adopt the economy-wide Action Plan 2019-2023.

The Kyrgyz Republic signed the Paris Agreement in 2016 but its ratification is still pending.

STRENGTHS

Energy security, power reliability and innovative technologies remain the key priority areas for the energy sector. To this end, emphasis has been placed on the construction and rehabilitation of hydropower plants and on the implementation of the smart grid project. Moreover, tariff reforms are envisaged in order to restore the financial viability of the electricity sub-sector and ensure that companies have funds to invest in improving the service delivery. With the support of international donors, the Government has recently launched the Taza Koom 2040 project that will allow the country to become the digital hub of the Central Asia and Eurasia regions.

The State Committee on Industry, Energy and Subsoil Use (State Committee) monitors the progress made on the energy targets and undertakes follow-up activities that are stated in the National Energy Programme for 2008-2010. It is supported by the State Agency for Regulation of the Fuel and Energy Complex (State Agency) in these tasks.

AREAS FOR IMPROVEMENT

The Government is eager to modernise the energy sector by introducing measures focused on a digital revolution. The absence of an updated National Energy Programme could prove counter-productive to leveraging information technologies, exploiting the country's resource endowment and attracting the necessary investment. The Government should give attention to the adoption of a new national strategy that will reflect its vision for an efficient and transparent energy sector.

Action plans, secondary legislation and incentive schemes must be put in place to ensure that the priorities identified in the updated National Energy Programme materialise. Reviewing and reporting requirements should be incorporated in the strategic documents, which permit quality assessment of the Government's actions in accordance with rigorous analytical methods.

The ratification of the Paris Agreement will help align the country's environmental policies with international endeavours to combat climate change. It will also signal the Government's preparedness to design, finance and report on its efforts to mitigate GHG emissions.

Management of decision-making processes

QUICK FACTS

In 2015, the Ministry of Energy and Industry was abolished and its policy-making competences were transferred to the State Committee.

The Investment Promotion and Protection Agency (IPPA) was established in 2017 to support foreign companies in starting business enterprises.

Kyrgyzstan adopted Law No. 213/2016 "On Access to Information Administered by State Bodies and Local Self-Government Authorities" for regulating access to information held by the State.

STRENGTHS

State authorities coordinate with each other while taking decisions on cross-cutting issues, such as those covered under the Taza Koom 2040. Similarly, the IPPA collaborates with State bodies, business entities and international institutions to facilitate investment activities. Together with the Parliamentary Business and Entrepreneurship Development Council, it serves as a platform for interaction between the country's decision makers and entrepreneurs.

The Taza Koom 2040 project aims at improving public sector efficacy and creating greater accountability. It intends to usher e-governance into the country, increase information communication, and streamline administrative processes. All public authorities are required by law to exercise the highest degree of transparency in their decisions. For instance, the State Agency publishes all its regulatory orders and holds regular meetings to inform stakeholders about tariffs and prices. In the most recent meeting, it presented a report on its budget and activities in the last year. It also introduced the new medium-term tariff policy on electric and thermal energy for 2019-2023.

AREAS FOR IMPROVEMENT

As suggested last year, a national climate change plan should be drafted together with the revision of the National Energy Programme. This will allow the Government to bring coherence to the policy agenda, organise activities for achieving its objectives and, increase its readiness to address the adverse effects of climate change.

While some steps have been taken to promote transparent governance, more work must be done in this regard. In keeping with last year's assessment, it is advised that efforts should be made to ensure that all reports and statistics available with State authorities are accessible to the public. Moreover, substantive involvement of stakeholders in the decision-making process will also assist in improving services and foster efficiency in public administration.

Regulatory environment and investment conditions

QUICK FACTS

The State Agency regulates the electricity and gas sub-sectors.

The State Committee grants licences for the exploration and extraction of oil, gas and coal.

The Law No. 66/2003 “On Investments” provides for equal treatment between domestic and foreign investors.

STRENGTHS

The State Agency continues to conduct key economic regulatory activities, including licensing, tariff setting, and performance monitoring. It also has procedures in place for entertaining complaints from individual consumers and companies. The State Agency has maintained the same level of functional and financial autonomy as last year.

The existing legal framework continues to undergo investment-conducive reforms aimed at facilitating business entry and mobilising investment for the rehabilitation of existing energy assets. The Government has aligned electricity tariffs with the cost of services and also made attempts to improve the financial viability of the sector. National legislation does not place any limitations on the foreign ownership or control of energy projects or assets. Investors are not legally obliged to purchase products or services from local suppliers. There are no restrictive currency exchange controls in place.

AREAS FOR IMPROVEMENT

The Government should consider granting more functional, organisational and financial autonomy to the State Agency. In particular, it could benefit from the establishment of a board or commission whose members are appointed for a fixed term, with the possibility of limited renewal, and the option to control and adjust its budget without governmental approval.

The Government should consider reducing the degree of State intervention in the energy sector. For example, the Government currently has the first right to acquire strategic objects as defined in Law no. 94/2008 “About Strategic Objects of the Kyrgyz Republic”. Additionally, investors are required to obtain preliminary governmental consent for mergers or acquisitions in projects of strategic importance. Equally relevant is that although the National Energy Programme for 2008-2010 envisages the transformation of the existing wholesale electricity market into a fully open retail market, the restructuring efforts have not produced the anticipated results since the State-owned shares in the energy companies were transferred to the National Energy Holding Company.

The existing quota system for foreign workers may be perceived as a constraint and result in a misalignment between supply and demand for skilled labour. To the extent that quotas are necessary, they should be administered in a consistent and transparent manner.

Rule of law

QUICK FACTS

Kyrgyzstan ratified the Energy Charter Treaty in 1997.

Kyrgyzstan has signed the Convention on the Settlement of Investment Disputes between States and Nationals of Other States in 1995 but the ratification is still pending.

Kyrgyzstan acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards in 1996.

STRENGTHS

Foreign investors can resort to national courts or international arbitration to resolve disputes against the State. Prior exhaustion of local judicial remedies is not compulsory. Under Decree no. 647 “On the Authorised Person to Protect the Rights of Business Entities” of December 2018, the Business Ombudsman was established as an independent institution with the competence to hear complaints arising from entrepreneurial activities. Foreign judicial decisions and awards are recognised and enforced in Kyrgyzstan. There were no retroactive changes introduced to laws during the EIRA assessment year.

Domestic laws continue to guarantee a broad scope of investors’ rights, including *national treatment*, repatriation of investment profits and property, as well as protection against expropriation. The latter is permitted only when it is carried out in the public interest, on a non-discriminatory basis, and upon payment of prompt and adequate compensation, including lost profits. A number of BITs promote and protect intellectual property rights as a form of “investment”. Currently, there are no restrictions on the transfer of technology.

AREAS FOR IMPROVEMENT

As mentioned in EIRA 2018, finalising the ratification process of the Washington Convention will offer foreign investors an additional avenue for pursuing alternative dispute resolution.

The incorporation in the legal texts of a definition of the term “public interest”, along with a valuation method for the calculating damages and interest, and a timeframe for the payment of compensation will reduce the risk of arbitrariness and legal uncertainty.