



Kyrgyzstan

Population ¹	6,322,800
Area (km ²) ¹	199,950
GDP per capita (USD) ¹	1,279.95
TPES (Mtoe) ²	3.84
Energy intensity (toe/10 ³ 2010 USD) ²	0.58
CO ₂ emissions - energy (MtCO ₂) ³	8.91

Data from Orbis Crossborder Investment on energy projects and deals completed between 2015-2020⁴

Target industry	Number of projects and deals	Project/deal type	Project CapEx and deal value (million EUR)
Electric power generation, transmission and distribution	1 project	new project	73m EUR total project CapEx
Support activities for other mining and quarrying	1 deal	acquisition deal	20m EUR total value of deal

Sources:

1. The World Bank 2018
2. ©IEA, World energy balances, 2020, www.iea.org/data-and-statistics, webstore.iea.org/key-world-energy-statistics-2019
3. ©IEA 2020, CO₂ emissions from fuel combustion, www.iea.org/data-and-statistics, webstore.iea.org/key-world-energy-statistics-2019
4. Orbis Crossborder Investment (2020), Bureau Van Dijk. Kyrgyzstan is the destination country of the investment. Data represents the period 1 April 2015 - 1 April 2020. For more information see Annex II of this report.

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

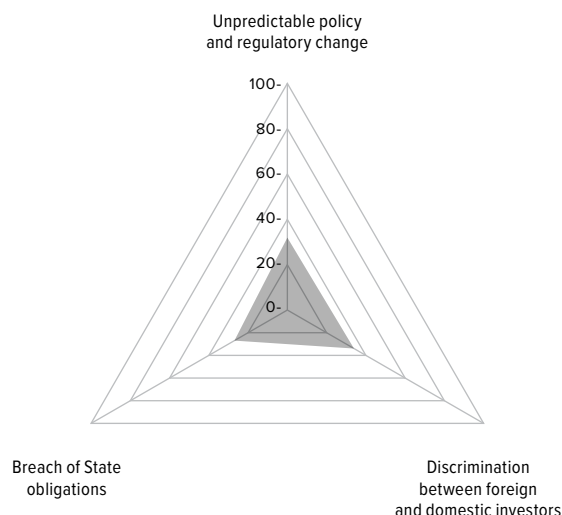
Among the three risks assessed in EIRA, *breach of State obligations* and *unpredictable policy and regulatory change* are lower compared to *discrimination between foreign and domestic investors*.

Kyrgyzstan's performance is good on two indicators, and it is moderate on two indicators. The country has retained its scores from 2019 on the indicators *rule of law* (73) and *management of decision-making processes* (72). Its score on *foresight of policy and regulatory change* has improved from 40 to 58. Its performance on *regulatory environment and investment conditions* is the same as last year (54).

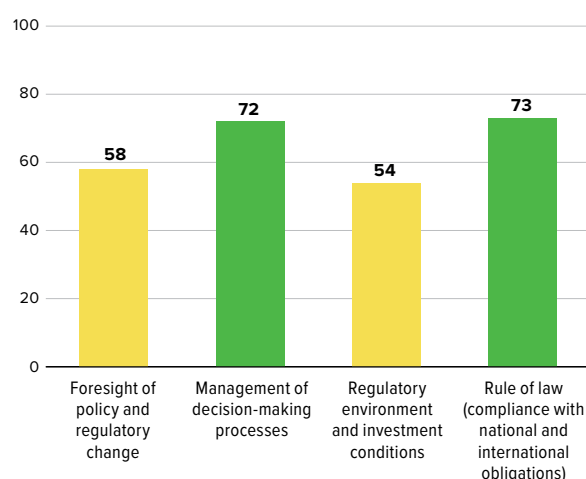
On a more detailed level, Kyrgyzstan's sub-indicator performance is good. *Management and settlement of investor-State disputes* is the highest-scoring sub-indicator at 95, followed by *transparency* at 81, and *restrictions on FDI* at 70. On the sub-indicator *communication of vision and policies* its score improved compared to last year, rising from 31 to 66. Its performance on *institutional governance* is the same as last year (63). Its score on the sub-indicators *robustness of policy goals and commitments* and *respect for property rights* is 50, respectively. *Regulatory effectiveness* is the lowest-scoring sub-indicator at 39.

While Kyrgyzstan has the relevant policies and measures in place, there is potential for improvement. Attention should be given to enhancing the country's regulatory effectiveness.

RISK LEVEL



INDICATOR PERFORMANCE

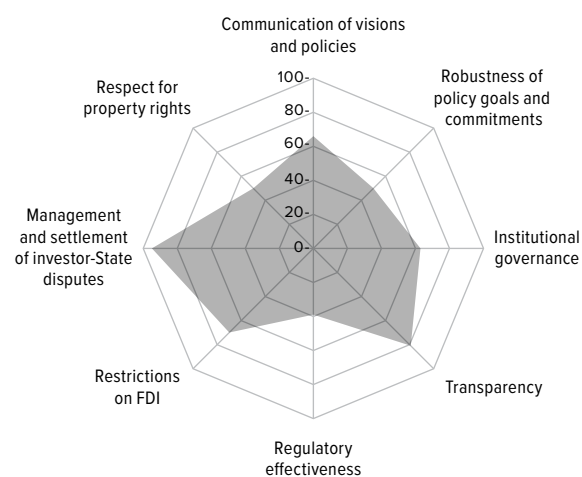


YEAR-ON-YEAR COMPARISON

RISK AREAS	2018	2019	2020
Unpredictable policy and regulatory change	41	38	32
Discrimination between foreign and domestic investors	35	34	34
Breach of State obligations	32	27	27

INDICATORS	2018	2019	2020
Foresight of policy and regulatory change	38	40	58
Management of decision-making processes	72	72	72
Regulatory environment and investment conditions	54	54	54
Rule of law	68	73	73

SUB-INDICATOR PERFORMANCE



Foresight of policy and regulatory change

QUICK FACTS

The Law no. 99/2019 on Amending Several Legal Acts in the Area of Renewable Energy Sources was enacted in 2019.

Kyrgyzstan ratified the Paris Agreement in 2019.

STRENGTHS

Improving energy security, power reliability, access to energy, and investment attraction are the main priorities for the energy sector. The Government's Plan for 2019-2023 on the implementation of the Activity Programme of the Government (Government Plan for 2019-2023) contains measures for improving energy policies, the development and re-construction of renewable generation capacities, and enhancement of energy efficiency. The Law on Renewable Energy provides incentives to investors such as a tax exemption for five years and other tax and customs benefits for new electricity producers and district heating. In December 2019, the President signed the Law on Ratification of the Paris Agreement UNFCCC Convention. This Law seeks to create favourable conditions for sustainable development, and facilitates the country's access to international support for developing mechanisms and methodologies on implementing the Paris Agreement.

The Government has developed the annual action plan for executing the Government Plan for 2019-2023. The annual action plan includes a list of activities to be undertaken through the fiscal year, the government agencies responsible for completing these activities, and the targets to be met. The Ministry of Economy is responsible for collecting information on the implementation of the annual action plan and submitting a monthly monitoring report to the Government.

AREAS FOR IMPROVEMENT

The targets in the National Energy Programme for 2008-2010 are outdated, and although the Government is preparing strategies to develop the fuel and energy complex, these are yet to be adopted. The Government should draft a comprehensive National Energy Programme that sets a long-term vision for the energy sector, contains targets and timelines for achieving the vision, and identifies the means to do so. Moreover, the country has a significant potential for energy efficiency and energy savings, so the Government should develop a comprehensive mid-term strategy to identify policy goals and targets in this field.

The Government should streamline the policy monitoring mechanisms so that it can monitor the annual action plan's implementation more effectively. The monitoring and evaluation process will benefit from an analysis of the outcomes achieved on each activity, the measures taken to obtain the intended results, and access of stakeholders to regular updates on the Government's performance.

Management of decision-making processes

QUICK FACTS

The State Committee on Industry, Energy and Subsoil Use (State Committee) develops and implements the State policies on fuel, energy and subsoil.

The Ministry of Economy frames and implements the country's investment policies.

STRENGTHS

Kyrgyzstan is currently implementing the Concept of Digital Transformation "Digital Kyrgyzstan 2019-2023". The programme will provide quality digital service to national and local authorities, legal entities and individuals. Its purpose is to increase the efficiency, performance, and accountability of the public administration system. The programme will also promote citizens' involvement in decision-making at the central and municipal levels. According to the Government Plan for 2019-2023, 45 State authorities should be connected to the digital platform "Tunduk" by 2023, and the share of digital services provided by these authorities must equal that of traditional service providers.

The opinions of various stakeholders, including the legislative and executive branch of government, scientific organisations, and civil society, are taken into account in the law-making process. The State authorities of Kyrgyzstan have public councils that act as consultative bodies and represent civil society. The objective of these public councils is to coordinate with the State institutions and monitor their activities. Legal information is centralised and accessible in an electronic library on the website of the Ministry of Justice. Newly adopted legislative acts are available both electronically and in print.

AREAS FOR IMPROVEMENT

The State authorities should update information on their websites regularly. For instance, the State Committee's website currently has data only on electricity generation and transmission, which are considered priority areas. It has no data on energy planning and forecasting for after 2017. The website lists the ongoing projects and their expected outcomes but does not update their implementation status.

Taza Koom 2040 seeks to improve the public sector's daily work, promote e-governance in the country, and streamline administrative processes. However, the performance of Taza Koom's digital platform should be improved so that users have uninterrupted access to it.

The Investment Promotion and Protection Agency (IPPA) can increase the quantity and quality of its services. To facilitate licencing and approval procedures, the IPPA may consider providing one-stop shop services to investors of small and medium-size generating facilities. It can also prepare step-by-step guidelines for investing in different areas, including energy production, transmission, distribution and energy efficiency.

Regulatory environment and investment conditions

QUICK FACTS

The State Regulatory Agency for Fuel and Energy Complex (State Agency) regulates the electricity, heating and natural gas sub-sectors.

Law No. 66/2003 on Investments and Law no. 95/2019 on Public Private Partnership grant equal treatment to domestic and foreign investors.

STRENGTHS

The State Agency undertakes regulatory activities, including licencing, tariff setting, and performance monitoring. It also has procedures for addressing complaints of individual consumers and companies. The existing legal framework continues to undergo investment-conducive reforms that will facilitate business entry. The Government is looking to improve the financial viability of the sector by mobilising investment for the rehabilitation of existing assets. The Government Plan for 2019-2023 envisages the development of a new, mid-term tariff policy.

The new Law on Public-Private Partnership establishes the legal framework for implementing PPP projects. It identifies the relevant economic sectors, defines the term PPP, sets the procedure for selecting projects, and lists the potential benefits for private investors. It gives information on the nature and kind of support the State will provide, as well as the rights, responsibilities, and risks of the parties. The PPP Agency was created in 2019 through Government Resolution no. 333/2019, and it is adjunct to the Ministry of Economy. The PPA Agency has various functions, including giving methodological support, conducting training, and coordinating with State authorities on the promotion, preparation, implementation, and monitoring of PPP projects.

AREAS FOR IMPROVEMENT

The State Agency could benefit from the establishment of a board or commission that has a fixed-term appointment, a limited possibility of renewal, and the option to control and adjust its budget without Government approval.

The State Agency must take measures to support the financial rehabilitation of the energy system and attract much-needed investments. For this purpose, it should conduct technical studies and consider viable policy options for gradually adjusting electricity and heating tariffs which are currently at levels below the real costs, and for phasing out the substantial subsidies given to specific categories of end-users. It should encourage tariff setting based on a realistic estimation of the production costs.

Rule of law

QUICK FACTS

Kyrgyzstan ratified the Energy Charter Treaty in 1997.

Kyrgyzstan 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

In the case of a dispute with the State, foreign investors have the option to approach different forums, such as national courts, mediators or international arbitration. Exhaustion of local judicial remedies is not compulsory. For example, the new Law on Public-Private Partnership stipulates that in the case of a dispute, the parties can agree to employ alternative dispute resolution mechanisms, including mediation or international commercial arbitration. Foreign judicial decisions and awards are recognised and enforced in Kyrgyzstan. The Business Ombudsman Institute is an independent agency established in 2018. The Ombudsman was appointed in August 2019. Foreign investors can submit complaints resulting from their entrepreneurial activities to the Institute. Starting 12 March 2020, businesses and individual entrepreneurs can submit applications to the Institute either personally or through a dedicated website. Kyrgyz courts recognise and enforce foreign judicial decisions and awards if there is a provision in the law to this effect, or there is an appropriate BIT on the recognition and enforcement of judicial awards, or reciprocity status exists.

The Law on Investment establishes guarantees for protecting investments from expropriation. The new Law on Public-Private Partnership states that private investors, partners, and project companies are guaranteed legal protection from nationalisation or equivalent measures. There are no restrictions on the transfer of technology in the energy sector. The country is a member of the WIPO since 1991, and of the WTO since 1998.

AREAS FOR IMPROVEMENT

The ratification of the Washington Convention will give foreign investors more guarantees and opportunities to pursue alternative methods of dispute resolution.

The legal framework of Kyrgyzstan on the acquisition of property should be updated to define the term “public interest”, and it should introduce detailed provisions to determine compensation in the event of expropriation. These inclusions to the relevant legislation will reduce uncertainties for foreign investors and promote transparency.

IMPLEMENTATION STATUS



Kyrgyzstan

PROPOSED IN	EIRA AREAS FOR IMPROVEMENT	IMPLEMENTATION STATUS AS OF 1 APRIL 2020
Indicator 1		
2018	Update the National Energy Programme which sets the main energy priorities for the period 2008-2010.	Pending
	Set short- and long-term targets for the development of the energy sector.	Work ongoing and partially implemented. The Government Plan for 2019-2023 contains targets for improving energy policies, developing renewable generation capacities, and enhancing energy efficiency. The draft Green Economy Development Programme for 2019-2023, currently under discussion, has a matrix of targets and an action plan for its implementation.
	Set policy monitoring mechanisms to track the progress made on the country's energy targets.	Pending
	Ratify the Paris Agreement to signal Kyrgyzstan's participation in the global effort to reduce GHG emissions.	Fully implemented. The Law N125 on ratification of the Paris Agreement UNFCCC Convention was adopted on 11 November 2019.
2020	Develop a comprehensive mid-term strategy on energy efficiency.	Improvement suggested in 2020. Status will be updated in 2021.
	Develop a summary on the completion of activities listed in the annual action plan to implement the Government Plan for 2019-2023.	Improvement suggested in 2020. Status will be updated in 2021.
Indicator 2		
2018	Prepare a climate change mitigation plan.	Pending
	Publish regular reports and statistics on the past and future actions of the State Committee for Industry, Energy and Subsoil Use.	Work ongoing. Resolution no. N141 stipulates that all the State agencies should submit monthly updates on their activities to the Ministry of Economy, which will then provide a summary of these activities to the Government.
	Develop minimum consultation standards for public discussions on draft legislation.	Pending
2020	Regularly update the website of the State Committee on Industry, Energy and Subsoil Use and improve the performance of Taza Koom's digital platform.	Improvement suggested in 2020. Status will be updated in 2021.
	Give the Investment Promotion and Protection Agency one-stop shop functions. The Agency should prepare step-by-step guidelines for investing in different sectors.	Improvement suggested in 2020. Status will be updated in 2021.
Indicator 3		
2018	Establish an independent board for the State Regulatory Agency for Fuel and Energy Complex (the State Agency) with a fixed-term appointment and limited renewal possibility.	Pending
	Make the State Agency accountable only to the Parliament.	Pending
	Limit the Government's preferential right to obtain strategic objects and remove the requirement of Government consent for mergers or acquisitions in strategically important projects.	Pending
	Administer the quota system for foreign workers in a consistent and transparent manner.	Pending
2020	Support the financial rehabilitation of the power transmission and distribution system.	Improvement suggested in 2020. Status will be updated in 2021.
Indicator 4		
2018	Finalise the ratification process of the Convention on the Settlement of Investment Disputes between States and Nationals of Other States.	Pending
	Update the national laws to define "public interest" as a criteria for the expropriation of investment.	Pending
	Update the national laws to define a valuation method for calculating damages and interest in the case of expropriation, and introduce a reasonable timeframe for paying compensation.	Pending