



Kyrgyzstan

Population ¹	6,322,800
Area (km ²) ¹	199,950
GDP per capita (USD) ¹	1,308.14
TES (Mtoe) ²	4.56
Energy intensity (toe/10 ³ 2015 USD) ²	0.60
CO ₂ emissions - energy (MtCO ₂) ³	10.5

Data by Orbis Crossborder Investment on completed energy projects and deals from 2015-2021⁴

Target industry	Number of projects and deals	Project CapEx and deal value (million EUR) by source country
Electric power generation, transmission and distribution	1 new project	Czech Republic: 1 RE project of 72.7 mEUR
Extraction of natural gas and crude petroleum	1 acquisition deal	Bermuda: 1 deal of 20.4 mEUR

Sources:

1. The World Bank 2018
2. ©IEA (2021), World Energy Balances (<https://www.iea.org/data-and-statistics>). All rights reserved.
3. ©IEA (2021), CO₂ Emissions from Fuel Combustion (<https://www.iea.org/data-and-statistics>). All rights reserved.
4. Orbis Crossborder Investment (2021), Bureau Van Dijk. Kyrgyzstan is the destination country of the investment. Data represents the period 1 April 2015 - 1 April 2021 (accessed on 1 July 2021). For more information see Annex II of this report.

RE: Electricity generation from renewable resources

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

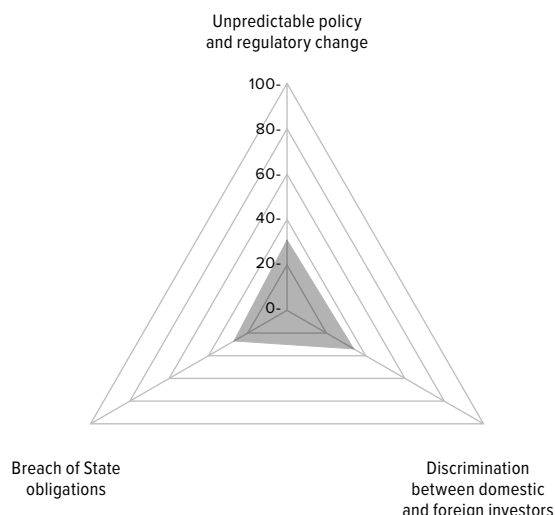
Of the three risks assessed in EIRA, *breach of State obligations* is lower compared to *unpredictable policy and regulatory change* and *discrimination between domestic and foreign investors*.

Kyrgyzstan’s performance is good on three indicators, and it is moderate on one indicator. It has a score of 73 on the indicator *rule of law* and 72 on *management of decision-making processes*. Its performance on *foresight of policy and regulatory change* has improved by five points and stands at 63. Its score on *regulatory environment and investment conditions* is the same as in EIRA 2020 (54).

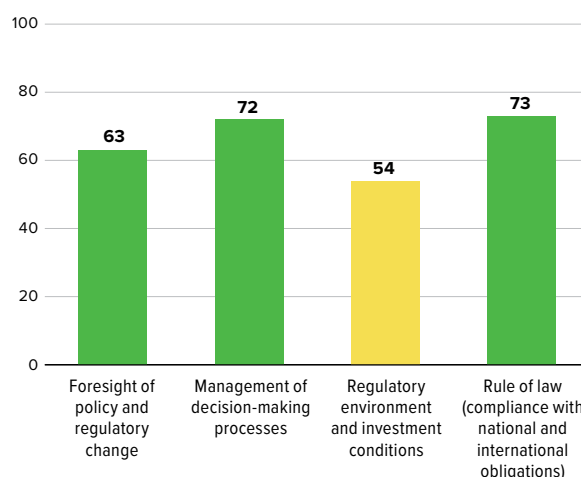
On a more detailed level, Kyrgyzstan’s overall sub-indicator performance is good. The highest-scoring sub-indicator is *management and settlement of investor-State disputes* with a score of 95. It is followed by *transparency* at 81 and *communication of vision and policies* at 76. Its score is 70 on *restrictions on FDI* and 63 on *institutional governance*. On the sub-indicators *robustness of policy goals and commitments* and *respect for property rights*, it has a score of 50. *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

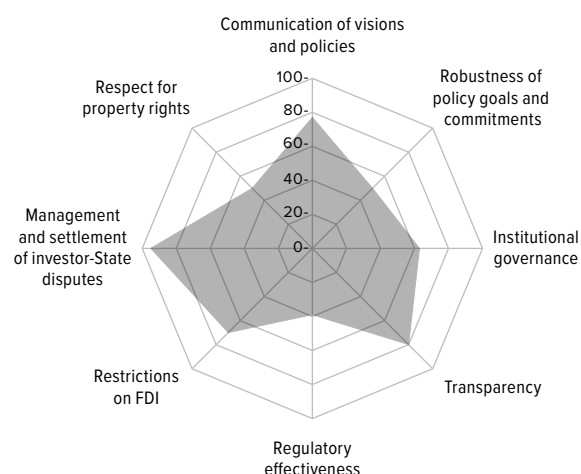


YEAR-ON-YEAR COMPARISON

RISK AREAS	2018	2019	2020	2021
Unpredictable policy and regulatory change	41	38	32	31
Discrimination between domestic and foreign investors	35	34	34	34
Breach of State obligations	32	27	27	27

INDICATORS	2018	2019	2020	2021
Foresight of policy and regulatory change	38	40	58	63
Management of decision-making processes	72	72	72	72
Regulatory environment and investment conditions	54	54	54	54
Rule of law	68	73	73	73

SUB-INDICATOR PERFORMANCE



Foresight of policy and regulatory change

QUICK FACTS

The National Energy Programme of the Kyrgyz Republic (2008-2010), the Development Strategy of Fuel and Energy Sectors until 2025, the National Development Strategy (2018-2040), and the Concept Note of the Green Economy (2019-2023) are the country's main strategic documents on the energy sector.

Kyrgyzstan ratified the Paris Agreement in 2020 and submitted its first INDC.

STRENGTHS

The Government's Plan (2019-2023) to Implement its Activity Programme sets actions to strengthen energy security. By 2023, the Government plans to expand power generation capacities to 4.3 GW by constructing new facilities and modernising the existing ones. During the same timeframe, it also aims to increase the country's natural gas distribution network coverage by 8%, reduce technical losses in the power distribution network by 0.6%, raise the energy efficiency of State-owned enterprises by 3%, and increase the share of renewable energy in the power generation mix by 1.5%. The Government is also making efforts to implement the Central Asia-South Asia (CASA)-1000 project. On 15 March 2021, it announced readiness to construct the Kyrgyz portion of the 500 kV high-voltage transmission line. Additionally, Kyrgyzstan has committed to reducing GHG emissions between 11.49% and 13.75% by 2030 and between 12.67% and 15.69% by 2050 in its recent INDC.

The Government submits annual reports to the Parliament of Kyrgyzstan (Jogorku Kenesh) on the implementation of the Government Programme and the completed activities. The relevant Parliamentary Committees highlight their concerns and indicate necessary actions to improve the situation. On 13 May 2020, the Jogorku Kenesh approved the Government's annual report on the activities conducted during the previous year. It also adopted the Government's plans for 2020 presented by the Prime Minister. On 5 March 2021, the Government approved Resolution no. 80/2021 establishing the Ministry of Energy and Industry (MoEI) of the Kyrgyz Republic. The MoEI, in collaboration with other State institutions, monitors the performance indicators set by the Government for the industry, fuel and energy, and subsoil use sectors.

AREAS FOR IMPROVEMENT

The Government should adopt a comprehensive national energy programme with a long-term vision for the energy sector, particularly on developing renewable energy capacities and utilising the country's energy efficiency and energy saving potential.

The policy monitoring and evaluation process will improve significantly if the Government publishes annual reports on the progress made towards achieving the energy sector objectives and targets.

Management of decision-making processes

QUICK FACTS

In 2021, the MoEI was established to replace the State Committee on Industry, Energy and Subsoil Use. The MoEI is responsible for developing and implementing energy, industry, geological, and subsoil use policies.

The Ministry of Economy and Finance frames and implements the national investment policies.

STRENGTHS

Following a referendum on 11 April 2021, Kyrgyzstan adopted a new version of the Constitution, replacing its semi-presidential form of governance with a presidential one. To give the constitutional reform process an impetus, on 5 May 2021, the President of Kyrgyzstan signed Law no. 59/2021 "On the Constitution of the Kyrgyz Republic" that establishes a consultative and coordinating institute, the People's Kurultay. The President has also initiated reforms to strengthen and optimise the Government's structure. Presidential Decree no. PD 114/2021 "On the Cabinet of Ministers of the Kyrgyz Republic" was recently adopted to reduce the number of ministries from 22 to 16 and establish an executive council called the Cabinet of Ministers. Moreover, the Statute of the newly established MoEI empowers it to develop and implement the State policy on the fuel and energy complex, industry, geology, subsoil use, energy and industrial security and subsoil protection. The MoEI's goals are to improve the efficiency of the State regulations, create conditions for the further development of the fuel and energy complex, and secure uninterrupted energy supply for consumers.

In 2020 and 2021, State institutions made efforts to improve transparency and accountability in their functions and activities. For instance, the MoEI published the list of all large energy projects in the country, the project timelines, names of the donor organisations funding these projects, the financing received and the expected results. On 25 September 2020, the President of Kyrgyzstan signed Decree no. PD 180/2020 "On the State Strategy for Combating Corruption and Eliminating its Causes for 2021-2024". The Strategy emphasises the need for securing dedicated anti-corruption plans for State agencies, introducing measures to ensure openness and transparency in Government decisions and ensuring broader involvement of civil society in policy-making. It also highlights the digitalisation of the State and municipal services as one of the most effective measures to eradicate corruption from the public sector. On 14 October 2020, the President of Kyrgyzstan adopted Decree no. PD 199/2020 "On Several Measures for Implementing the State Strategy for Combating Corruption and Eliminating its Causes for 2021-2024".

AREAS FOR IMPROVEMENT

The Government may consider establishing a one-stop shop under the newly formed MoEI to approve small and medium-size projects on renewable power generation.

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 industries.

The PPP Centre was established in 2019 to support the State agencies in identifying, initiating, preparing, implementing and monitoring PPP projects.

STRENGTHS

The Government of Kyrgyzstan continues to improve the market conditions for renewable power generation projects. On 30 October 2020, it adopted Resolution no. 525/2020 “On Approval of the Regulation on Conditions and the Procedure for Implementation of Activities for the Generation and Supply of Electricity Produced from Renewable Energy Sources”. This Resolution defines the requirements for obtaining licences and permissions to supply renewable electricity and establishes the rules on setting tariffs for such electricity. It also regulates renewable energy production within and outside of quotas and for self-consumption and requires the Government to create a State registry on renewable energy facilities. In addition, the Government has started gradually adjusting power and heating tariffs to make these cost-reflective. In April 2021, the draft Government Resolutions on approval of mid-term electricity and heating tariff policy for 2021-2025 were circulated for a public discussion. The adjustment of tariffs will help reduce the debt of the energy companies and start the financial rehabilitation process of the entire energy system.

Law no. 12/2020 “On Amendments to Several Legal Acts of the Kyrgyz Republic in the Area of Investment Support” entered into force on 20 January 2021. Among other things, this Law simplifies the process of transferring land ownership and modifies the PPP legal framework. It categorises PPP projects by size and empowers the PPP Centre to negotiate and conclude agreements, simplify PPP procedures, modify Request For Qualifications and draft PPP agreements based on comments received from the concerned parties. The Government has also adopted Resolution no. 146/2021 “On Amendments to Several Decisions of the Government of the Kyrgyz Republic in the Area of Provision of Land Plots for the Development of Energy Facilities Using Renewable Energy Sources” clarifies the procedure for allocation of land plots, forest funds, or State-owned grazing areas. It aims to streamline and simplify the process for allocating land plots to install renewable energy facilities.

AREAS FOR IMPROVEMENT

The Government should ensure the financial rehabilitation of the energy sector through the inflow of private investments and the implementation of PPP projects. In parallel, it should consider developing and implementing a national investment programme for the critical energy infrastructure.

Rule of law

QUICK FACTS

Kyrgyzstan ratified the Energy Charter Treaty in 1997.

Kyrgyzstan is a member of the WTO since 1998.

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

STRENGTHS

Law no. 135/2002 “On Arbitration Courts in the Kyrgyz Republic”, Law no. 66/2003 “On Investment in the Kyrgyz Republic” and Law no. 161/2017 “On Mediation” establish the legal framework for resolving disputes between investors and the State. Alternative dispute resolution is gaining prominence in the country. The National Sustainable Development Strategy of the Kyrgyz Republic 2018-2040 encourages arbitration and mediation, contributing to the diversification of dispute resolution mechanisms and reducing local courts’ workload. Several independent dispute resolution centres, such as the International Arbitration Court at the Chamber of Commerce and Industry, have been established in Kyrgyzstan in recent years. The Office of Business Ombudsman, established in 2018, is a fully functioning institution that processes investors’ complaints against actions of the State agencies. The Government of the Kyrgyz Republic, international development partners and business associations delegate one representative each for the Steering Committee of the institution. In 2020, the Office of Business Ombudsman received 68 complaints, of which it accepted 44. It reviewed 20 complaints out of those accepted, considered ten as justified, and resolved four.

Law no. 66/2003 “On Investment in the Kyrgyz Republic” prohibits the expropriation of foreign investments and assets except in cases of public interest and on a non-discriminatory basis. The law also guarantees fair and timely compensation, which should include lost profits. On 15 October 2020, Kyrgyzstan ratified the Protocol on the Protection of Industrial Designs to the Eurasian Patent Convention. The Protocol entered into force three months after depositing the country’s instrument of ratification. This is a significant development because the design patents issued by a patent bureau of any Member State of the Eurasian Patent Organization (EAPO) will be valid for five years in the entire EAPO area. Kyrgyzstan has signed BITs with 34 countries, of which 24 are in force, and nine treaties with investment protection provisions, of which eight are in force.

AREAS FOR IMPROVEMENT

While Law no. 66/2003 “On Investment in the Kyrgyz Republic” includes provisions on compensation in the event of expropriation, it can be amended to include other relevant details. The legal framework of Kyrgyzstan should be updated to define the term “public interest”, and it should introduce detailed provisions to determine compensation in the event of expropriation.

IMPLEMENTATION STATUS



Kyrgyzstan

PROPOSED IN	EIRA AREAS FOR IMPROVEMENT	IMPLEMENTATION STATUS AS OF 1 APRIL 2021
Indicator 1		
2018	Update the National Energy Programme of the Kyrgyz Republic (2008-2010) with short-term and long-term targets for developing the energy sector.	Work ongoing. The Action Government Plan (2019-2023) to Implement the Activity Programme sets actions to strengthen energy security. Moreover, the Concept Note of the Green Economy (2019-2023) contains a matrix of targets and an action plan for its implementation.
	Set independent policy monitoring mechanisms to track the progress made on the country's energy targets.	Pending
	Ratify the Paris Agreement as soon as possible.	Fully implemented. On 18 February 2020, Kyrgyzstan ratified the Paris Agreement and submitted its NDC.
2020	Develop a comprehensive mid-term strategy on energy efficiency.	Pending
Indicator 2		
2018	Prepare a climate change mitigation plan.	Work ongoing. In June 2020, the Green Climate Fund allocated USD 2.6 million to develop a national climate change adaptation plan.
	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. N141/2019 requires State agencies to submit monthly updates on their activities to the Ministry of Economy and Finance.
	Develop minimum consultation standards for public discussions on draft legislation.	Work ongoing. Law no. 241/2009 was amended in 2019 and 2020 to describe the procedure and the timeline of public consultations on draft regulatory acts.
2020	Regularly update the website of the Ministry of Energy and Industry (MoEI) and improve the performance of Taza Koom's digital platform.	Pending
	Mandate the Investment Promotion and Protection Agency to prepare step-by-step guidelines for investing in different sectors.	Pending
2021	Establish a one-stop shop to improve small and medium-size renewable power generation projects.	Improvement suggested in 2021. Status will be updated in 2022.
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. 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.	Work ongoing. In April 2021, the Government initiated the public discussions on mid-term 2021-2025 tariff policy for electricity and heating.
2021	Develop and implement a national investment programme for the critical energy infrastructure.	Improvement suggested in 2021. Status will be updated in 2022.
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