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Private sector engagement in climate finance





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Contents

1. Project Background	4
2. Private Sector in Kyrgyzstan	4
2.1. Introduction	4
2.2. Enterprises	5
2.3. Key sectors	8
3. Financial landscape	13
3.1. Institutional and regulatory framework	13
3.2. Development finance institutions	14
3.3. Financial Sector in Kyrgyzstan	16
3.4. Existing investment mechanisms	19
4. Challenges	26
4.1. Regulatory challenges	26
4.2. Environmental, Social and Governance	27
4.3. Institutional capacity and coordination	28
4.4. Technical challenges	28
4.5. Financial Challenges	29
5. Roadmap for Private Sector Involvement	30
5.1. Recommendations to reduce barriers	30
5.2. Application to GCF	34
5.3. Action plan	34
6. Annex A – Private sector funds	38

1. Project Background

The German Federal Ministry for Economic Cooperation and Development (BMZ) commissioned “Integrative and Climate-sensitive Land Use in Central Asia” (here after – ILUCA), a regional programme aimed to promote a sustainable use of land and natural resources in Central Asia. This program is implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH (German Society for International Cooperation) on behalf of the German Government.

In addition, the GIZ ILUCA is a delivery partner of the Green Climate Fund Readiness project “Strengthening Kyrgyzstan’s capacity to manage the climate finance process and prepare quality projects”. The main objective of this readiness project, developed jointly by the Ministry of Natural Resources, Ecology and Technical Supervision (hereinafter MNRETS) as the Nationally Designated Authority (hereinafter referred to as the NDA) for the GCF, and the Climate Finance Center under the Cabinet of Ministers (hereinafter referred to as the CFC) as the operational coordinator for the GCF, are to prepare Kyrgyzstan for the mobilisation and implementation of climate finance through capacity development in climate project development to meet NDC targets.

The goal of the project is to promote the availability of climate finance for Kyrgyzstan in order to scale climate solutions in line with NDCs and the priorities of the Sustainable Development Goals (SDGs) by strengthening institutional capacity, improving the strategic framework and targeted climate investment directions.

2. Private Sector in Kyrgyzstan

2.1. Introduction

The economy of the Kyrgyz Republic, like the economies of other countries in the region, is developing in the direction of a gradual transition from an agrarian model to a service-oriented model. At the same time, the private sector, according to the European Bank for Reconstruction and Development (EBRD), occupies the most important place in the country’s economy, forming about 75% of the gross domestic product since 2004, which is the highest figure among comparable countries in the region. With more than half of national GDP coming from sectors vulnerable to climate change, the role of the private sector is of strategic importance in addressing the challenges of reducing greenhouse gas emissions and adapting to climate change.

After the collapse of the Soviet Union, the Kyrgyz Republic was one of the first in Central Asia to implement reforms aimed at privatizing a significant number of state assets. Since independence, 7,358 state assets have been privatized, which has provided conditions for the dynamic growth of the private sector, allowing it to become the main developing force of the country’s economy. However, in the last ten years, there has been a decrease in the rate of denationalization due to the intensification of the process of nationalization and revision of the results of privatization, and as a consequence the return of assets to the state.

The structure of the private sector in the Kyrgyz Republic is dominated by services, but there is a gradual diversification of business. The share of services in the gross domestic product is about 52%, followed by industry – 17%, agriculture – 8% and construction – 8%. The tourism, transport and communications sectors are showing steady growth. The shift to capital-intensive and industrial activities imposes significant obligations on the private sector to mitigate climate change and increases the responsibility to adapt to its impacts.



Despite the high contribution of the private sector to the economy of the Kyrgyz Republic, the level of its productivity and competitiveness remains low. The service sector is the main driver of economic growth, with an average annual rate of 14% since 1991, although fluctuations have also been observed (World Bank, 2023). The main employment in the private sector is concentrated in trade, construction and agriculture, which leads to a low level of labor productivity, one of the lowest in Central Asia. Small and family-owned enterprises dominate the private sector structure, facing difficulties in competitiveness and capital accumulation.

2.1.1. Foreign investment and capital flows

Despite the underdevelopment of capital markets, the Cabinet of Ministers of the Kyrgyz Republic is open to attracting foreign investment. In 2022, the net inflow of foreign direct investment (FDI) exceeded 400 million US dollars (3.3% of GDP), in 2023 the net inflow amounted to 159 million US dollars (1.1% of GDP). In 2022, the Kyrgyz Republic established the National Investment Agency under the President of the Kyrgyz Republic (hereinafter referred to as the NIA KR) and other bodies to encourage private investment, as well as to attract financing from international financial institutions.

Foreign direct investment is mainly directed to mining and manufacturing, while its effect on other sectors of the economy remains limited. It is worth noting that the main channel of income was the reinvestment of profits, which accounted for 62% of all investments. In recent years, foreign direct investment has also been directed to financial services and industrial production, although it is difficult for the country to attract and retain investment outside the mining sector. The situation is exacerbated by a number of decisions, including the nationalization of the Kumtor gold mine in 2021, which led to the suspension of a number of investment projects (International Finance Corporation, 2021).

In 2023, the most attractive sectors for foreign direct investment were manufacturing (\$234 million) and mining (\$221 million), a trend that is likely to continue in 2024. At the same time, it is worth noting that the net inflow of investments is observed in the financial sector of the economy.

The key investors who provided the net inflow of investments were companies representing the Russian Federation and the Republic of Kazakhstan. In terms of the volume of investments in the economy of the Kyrgyz Republic in 2024, China is 280 million US dollars, but at the same time, the largest outflow was recorded in the amount of 353 million US dollars. China accounts for almost 35% of the Kyrgyz Republic's trade turnover, which amounted to \$15.7 billion in 2023. The second largest trade turnover is the Russian Federation, which accounts for about 19%.

The country's exports still predominantly consist of raw materials, and the number of exporting companies shows a downward trend. In 2023, the volume of gold exports amounted to 17.8 tons worth 1.3 billion US dollars, accounting for 38% of the country's total exports. Exports of goods and services, according to the National Statistical Committee of the Kyrgyz Republic, decreased from 55% of GDP in 2009 to about 19% of GDP in 2024.

As a member of the Eurasian Economic Union (EAEU), the Kyrgyz Republic has preferential access to the markets of the Republic of Kazakhstan and the Russian Federation. As part of integration into the EAEU, an agreement was reached with the Russian Federation on the establishment of the Russian-Kyrgyz Development Fund, which in 2021–2023 invested more than 265 million US dollars in the country's economy, and its loan portfolio amounted to 311 million US dollars at the end of 2023.



2.2. Enterprises

The private sector in the Kyrgyz Republic is dominated by microenterprises and small enterprises¹. According to the National Statistics Committee, from January to December 2023, about 19 thousand small and medium-sized enterprises (hereinafter referred to as SMEs) operated in the country, of which more than 66% are located in Bishkek. Over the past decade, in the context of demographic growth and an improving business environment, the number of individual entrepreneurs has grown by 40% and small businesses by 63%. Smaller growth was recorded with medium-sized enterprises, which grew by 16%. Despite significant export potential, small enterprises face low levels of productivity due to a shortage of skilled labour, limited access to finance and poor integration into regional trade networks (EBRD, 2022).

Small and medium-sized enterprises play a key role in the country's economy, contributing 40.5% of GDP. Individual entrepreneurs, of which there are about 459 thousand, account for the largest share of added value – 19.2% of GDP. The main number of small and medium-sized enterprises is registered in the field of wholesale and retail trade, which account for over 31% of all small and medium-sized businesses. The main activities of SMEs are manufacturing, wholesale and retail trade, and construction. At the end of 2023, 928 medium-sized and about 2000 large companies were registered in the Kyrgyz Republic, many of which remain in state ownership.

The persistence of the informal sector is a major obstacle to sustained economic growth. Despite recent tax reforms, increased trade and VAT revenues, which have led to a budget surplus of about 1% of GDP in 2023 (EBRD, 2024), challenges remain affecting business development in the country. Among them, citizens highlight a high level of informality, political instability, corruption, as well as limited access to funding and skills.

The economic system of the Kyrgyz Republic remains predominantly informal. According to the Organization for Economic Cooperation and Development, almost two-thirds of the workforce is employed in the informal sector (BTI, 2024). This sector accounts for 23.6% of the country's GDP and is characterized by limited dialogue, regulation and control, which significantly constrains the opportunities for economic growth. Informal employment prevails in agriculture (almost 80% of total informal employment), construction and some other services. According to the Ministry of Economy and Commerce of the Kyrgyz Republic, the share of the shadow economy is about 19–20% of GDP, and its real role in the economy is underestimated due to the lack of complete data and recognition of the importance of the informal sector.

2.2.1. Micro-enterprises

In the Kyrgyz Republic, the majority of private sector entities are represented by individual entrepreneurs, of which there were 459 thousand at the end of 2023. Until 2024, a significant part of them worked under a conditional taxation system known as a “patent”. Patent holders, although they were formal participants in the economy, were limited in opportunities – they could engage only in a certain list of commercial activities, did not have the right to participate in export-import operations and were exempt from most tax reports. Most of these entrepreneurs run individual or family businesses with minimal capital investment and a limited number of part-time jobs. Another significant part of microenterprises in the country is represented by subsistence farmers, of whom there were 487 thousand at the end of 2023.

¹ Micro-enterprises are enterprises with 1 to 5 employees, often operating under the patent regime. Small businesses are businesses with 6 to 19 employees. Medium-sized enterprises are enterprises with 20 to 99 employees. Large enterprises have 100 or more employees.



As of February 2023, the country officially provided for 33 types of patent activities for individuals, however, since January 1, 2024, there have been significant changes in the patent taxation system in the Kyrgyz Republic. Many activities previously carried out on the basis of a patent have now been transferred to a single tax or a general tax regime. In particular, patents for retail, the sale of auto parts, fast food, the production of sand blocks, handicrafts and artistic creativity have been canceled. Entrepreneurs engaged in these types of activities are now required to use cash registers (cash registers) and pay insurance premiums. Single tax rates are 0% for revenues up to KGS 8 million, 0.5% for KGS 30 million and 1% for KGS 50 million.

Microentrepreneurs mainly finance their activities from households' own savings and have limited relationships with the financial sector. The bulk of transactions for patent holders are carried out in cash. At the same time, starting in 2024, there has been a significant increase in mobile banking and the use of digital financial technologies, including apps, internet acquiring, QR codes, internet banking, and payment terminals. Compared to previous years, the dynamics of non-cash payments in 2024 was a record. Non-cash transactions through bank cards grew at a double-digit pace – for example, the number of card payments in trade and service enterprises increased by 67% over the year. The volume of transactions on electronic wallets has also increased significantly, and the number of wallets has increased by almost half over the year. QR payments have shown explosive growth – their use has grown more than 100 times in just one year. In the retail payments industry, the population is increasingly preferring digital channels instead of cash. Despite the upward trend in digital payments, transferring funds from one bank account to another or from a bank account to an e-wallet remains difficult due to the limited interoperability of financial systems. In order to increase financial inclusion, the Government of the Kyrgyz Republic has approved a state program to increase the share of non-cash payments for 2023–2027.

2.2.2. Medium-sized enterprises

Medium-sized enterprises in the Kyrgyz Republic make up the smallest share of firms and employees compared to micro, small and large enterprises, actually accounting for less than 0.2% (928 entities) of the total number of companies, including individual enterprises operating on a patent basis. Despite the small number, medium-sized private companies significantly outperform sole proprietors in terms of productivity, export potential, and value-added contribution. Their share in the country's total exports is 14.5%, indicating their important role in the economy. In addition, medium-sized enterprises are much better able to access finance than microenterprises and small businesses, underscoring their importance for economic growth and modernization. Nevertheless, the limited number of medium-sized enterprises – the so-called “missing middle” – indicates the existing difficulties for sustainable business development in the republic and the lack of incentives for the transition to the middle level.

2.2.3. Large enterprises

There are about 305 large companies in the Kyrgyz Republic, mainly operating in such sectors as mining, energy, banking, communications, production of building materials and oil and gas sectors. They form a significant share of GDP and the budget. These companies employ approximately 14% of non-agricultural private workers (IFC, 2021). A significant part of large enterprises are state-owned, including many banks, utilities and energy companies. Some strategic companies privatized after independence were returned to state ownership. Among the largest private companies in the country, most are focused on the transport sector and the media. Overall, the largest enterprises in the Kyrgyz Republic have shown steady growth and diversity in 2024. If the pace of investment and reforms is maintained, they can increase the country's competitiveness in the region, ensuring prosperity growth and new jobs.



2.2.4. State-owned enterprises (SOEs)

State-owned enterprises continue to play a key role in the economy of the Kyrgyz Republic. State-owned enterprises control strategic industries – transport, energy, part of the subsoil – which allows the state to provide basic services to the population and security. Many of them are monopolists in their fields (railway, national energy). Despite a significant decrease in their number since the 1990s, as of 2024 there are 136 state-owned enterprises in the country (USSD, 2024). The State Agency for State Property Management manages 18 joint-stock companies and 6 limited liability companies. In 2023, the income of state assets amounted to KGS 23.8 billion.

Most of the assets and liabilities of state-owned enterprises are concentrated in the energy sector. Approximately 91% of non-financial liabilities and 62% of non-financial assets are in this sector, which is equivalent to about 21% of the country's GDP. The debt-to-equity ratio in the energy sector of state-owned enterprises is significantly high, with total liabilities exceeding equity by almost eight times, indicating unsustainable debt levels (IFC, 2021).

2.3. Key sectors

Key sectors relevant to climate change mitigation and/or adaptation that this report focuses on include agriculture, energy, industry and transport. Private companies and investments play a key role in each of these sectors, ensuring climate-resilient solutions and sustainable economic growth.

2.3.1. Agriculture

Historically, agriculture has been one of the key sectors of the economy of the Kyrgyz Republic, playing an important role in production activities and employment. Currently, agriculture continues to be a significant sector, employing about 40% of the country's workforce. However, despite the growth of agricultural production in recent decades by 2.2% per year, its share in the economy and employment has been gradually declining. In 2020, the share of agriculture in GDP was 13.5%, and in 2003 and 2024, it will fall below 10%. At the same time, agricultural exports continue to play an important role in the economy, reaching USD 254 million or 7.5% of total exports in 2023, with vegetables and edible root vegetables being the main export commodities.

The industry is mostly represented by small farms, but there are also large agribusinesses, mainly in the processing of agricultural raw materials and the food industry. Agriculture in the Kyrgyz Republic is focused on family farms and small farms on small plots of land, which produce about 62% of all agricultural products². Larger-scale production related to crops such as apples, apricots, beans, cherries, sugar beets, cotton, tobacco and walnuts is regional and still small-scale compared to Western standards³.

Export markets for agricultural products are constrained by a number of factors, including seasonality of production, regional trade barriers, and packaging issues. Many small companies face problems with a lack of equipment for processing agricultural products, as well as a lack of management skills, which limits their production capabilities lines for juice, ketchup, dried vegetables and fruits, potato chips, pasta, meat products and packaging. They also lack management skills, and many of them are working at only 20 to 40% of their production capacity. Peasant farms and small firms are limited in financial resources, so they prefer to purchase semi-automated and non-automated equipment⁴.

² https://www.unescap.org/sites/default/files/Strengthening%20competitiveness%20of%20SMEs_final_English%20version_Savia.pdf

³ <https://www.trade.gov/country-commercial-guides/kyrgyz-republic-agricultural>

⁴ The same.



Almost half of the land of the Kyrgyz Republic is occupied by pastures, which is about 9 million hectares. Consequently, animal husbandry is an important component of the economy, society and culture of the country. Kyrgyzstan's geography and topography make it particularly vulnerable to climate change. Droughts, landslides, mudflows, floods and river erosion are becoming more frequent and intense. The threat of water scarcity, temperature stresses and reduced soil fertility can negatively affect agricultural and livestock production, increasing the risk of food and water security for the population.

The agricultural sector is closely linked to the climate challenges facing the Kyrgyz Republic. The World Bank estimates that agricultural activities account for up to 30% of total national greenhouse gas ⁵emissions. Investments in the expansion of livestock production, value-added products and the introduction of industrial processes can contribute to increasing emissions. However, the adaptation of the industry is urgently needed, as the effects of climate change will affect agricultural productivity. Private investment should focus on improving the preparedness and resilience of the agricultural sector to climate shocks, such as water scarcity and extreme weather events.

The state, together with donor organizations, implements programs to support agricultural enterprises. In 2024, new logistics centers were opened in the Osh and Issyk-Kul regions for the storage and sorting of fruits for export. Foreign investments in the processing of agricultural products are attracted. Within the framework of the national irrigation program, it is planned to invest more than 50 million US dollars in the construction of new canals and reservoirs for agriculture, which will increase irrigated land and the raw material base for agricultural enterprises. By 2025, 30 thousand hectares of new irrigated land are expected to be commissioned. All this should strengthen the competitiveness of Kyrgyz agribusiness, increase employment in rural areas and increase the contribution of agro-industrial production to GDP.

2.3.2. Energy

The energy sector of the Kyrgyz Republic contributes 4% of the country's GDP and accounts for 16% of industrial production. The Kyrgyz Republic has significant renewable energy resources, while almost the entire population of the country has access to the electricity grid. Electricity production from hydroelectric power plants is about 90%, but the current installed capacity uses only about 10% of the country's total hydropower potential, due to the obsolescence of a significant part of the infrastructure⁶. The remaining electricity is produced at two thermal power plants located in the cities of Bishkek and Osh. The main production of hydroelectric power is carried out by five stations on the cascade of the Naryn River with an installed capacity of 2900 MW. At the same time, the untapped potential in hydropower is estimated at about 18,000 MW.

The energy mix of the Kyrgyz Republic is hydropower (53%) and coal (37%), with domestic production covering only half of the country's needs and imports required to meet the remaining demand. Final energy consumption depends on petroleum products as the main source (48%), followed by electricity (24%), coal (17%) and natural gas (5.8%)⁷. This energy balance makes the Kyrgyz Republic dependent on fuel imports, especially petroleum products, where annual costs amount to about \$1 billion, mainly for the transport sector.

Historically, the Kyrgyz Republic has depended on fossil fuel imports. The country is a net importer of oil and natural gas, about 80% of which comes from the Russian Federation. The level of gasification in the domestic market increased from 22% in 2014 to 38% in 2024. This increase is due to the active

⁵ World Bank Knowledge Portal on Climate Change

⁶ [https://www.trade.gov/country-commercial-guides/kyrgyz-republic-energy#:~:text=Hydropower%20accounts%20for%20nearly%2090,to%2030MW\)%20across%20the%20country](https://www.trade.gov/country-commercial-guides/kyrgyz-republic-energy#:~:text=Hydropower%20accounts%20for%20nearly%2090,to%2030MW)%20across%20the%20country)

⁷ <https://www.iea.org/reports/kyrgyzstan-energy-profile>



activities of Gazprom Kyrgyzstan, which since 2014 has invested more than 32 billion soms in the development of the country's gas infrastructure. According to the General Scheme of Gas Supply and Gasification of the Kyrgyz Republic, it is planned to gasify about 400 settlements and more than 845 thousand households, which will make it possible to achieve a level of gasification of the country of 60% by 2030.

Since 2018, the country has also become a net producer of coal, thanks to a fourfold increase in coal production since 2010. Currently, electricity generation, heat generation and household consumption account for 80% of total coal consumption in the Kyrgyz Republic. To meet domestic needs in the autumn-winter period of 2024–2025, the country needed 2.6 million tons of coal, of which a significant part was directed to the needs of the population, budgetary institutions and thermal power plants in Bishkek. The state-owned company “Kyrgyz Komur” plays a coordinating role in the coal sector, bringing together about 30 small and medium-sized enterprises (IEA, 2022). The total share of enterprises operating within the framework of Kyrgyz Komur produces about 50% of all production. However, most coal enterprises are small and face restrictions in accessing investment to upgrade equipment and technology. In 2024, 1.1 million tons of coal worth 53 million US dollars were exported. Uzbekistan and China became the main importers of Kyrgyz coal, and supplies to China increased significantly compared to previous years.

The Government of the Kyrgyz Republic, together with development partners, is investing in several major energy projects:

- CASA-1000 Central Asia – South Asia Electricity Transmission and Trade Project (\$1,126.50 million)⁸
- Toktogul Hydropower Rehabilitation, Phase 3 (US\$50 million grant and US\$60 million loan from ADB)⁹
- Construction of Kambarata HPP-1 (1860 MW) (\$2 billion, including \$13.6 million from the World Bank)¹⁰
- Kyrgyz Republic-China Gas Pipeline (215 km Section D of the Central Asia-China Gas Pipeline)¹¹
- Modernization of the Uch-Kurgan HPP (grant of USD 40 million and loan of USD 60 million from ADB)¹²
- Public-private partnership (PPP) to develop up to 100–150 megawatts of grid-connected solar power (with IFC support)¹³

The decarbonization of the energy sector of the Kyrgyz Republic represents a significant market opportunity for attracting private investment and industrial development. According to the World Bank, the country has a high potential for the development of solar energy, which is confirmed by the number of sunshine hours reaching 2100–2900 hours per year, and the level of direct normal irradiation from 1600 to 2000 kWh/m² per year in the Naryn and Issyk-Kul regions. as well as about 1600 kWh/m² per year in the area of Bishkek¹⁴. The technical potential of small hydroelectric power

⁸ <https://projects.worldbank.org/en/projects-operations/project-detail/P145054>

⁹ <https://www.adb.org/projects/49013-002/main>

¹⁰ <https://interfax.com/newsroom/top-stories/100072/> и <https://www.worldbank.org/en/news/press-release/2024/07/11/world-bank-provides-additional-technical-support-for-clean-hydro-energy-in-the-kyrgyz-republic> — поддержка чистой гидроэнергетики в киргизской республике?cid=eca_tt_eca_en_ext

¹¹ <https://thepeoplesmap.net/project/central-asia-china-gas-pipeline-line-d/>

¹² <https://www.adb.org/projects/49240-002/main>

¹³ <https://pressroom.ifc.org/all/pages/PressDetail.aspx?ID=27378>

¹⁴ World Bank Group, Energy Sector Management Assistance Program and Solargis: <http://globalsolaratlas.info>



plants located on more than 200 mountain rivers and large irrigation canals is estimated at 1800 MW¹⁵. The potential of wind generation is concentrated in sparsely populated mountainous areas, where, despite the presence of favorable conditions for the installation of wind farms, there is limited transport infrastructure and power transmission lines, which requires additional investment and private sector participation to realize this potential.

The issues of increasing private investment in the energy sector of the Kyrgyz Republic include a number of factors. Subsidies for fossil fuels, amounting to about 11% of the country's GDP, contribute to maintaining consumer preference for traditional energy sources, which reduces the competitiveness of alternative, renewable sources¹⁶. Electricity tariffs remain artificially low. Despite the recent increase in end-user tariffs, the current pricing policy, which sets tariffs below the cost of generation, significantly limits the possibilities for the development of new capacities and weakens incentives to improve energy efficiency¹⁷. This is particularly reflected in the construction sector, making it difficult to attract private investment in district heating systems. small. Hydropower generation, for example, is predominantly developed at small facilities, due to restrictions on attracting foreign direct investment needed for expansion. In addition, there is a shortage of skilled labor and underdeveloped integrated supply chains, which hampers the development of other types of renewable energy, creating an additional barrier to the sustainable growth of the energy sector.

Over the past 2–3 years, significant private investments have come to the alternative energy sector of the republic from both local and foreign investors. The government of the republic attracts business by offering benefits – for example, exemption from VAT on the import of equipment for renewable energy sources and guaranteed electricity purchase agreements for generating companies. In 2023, the International Finance Corporation (IFC) and the World Bank, in partnership with the government of the Kyrgyz Republic, launched a project for the development of solar energy with a capacity of up to 100–150 MW, in order to mobilize private capital through the PPP mechanism. In June 2023, the World Bank approved financing for the first phase of the ten-year Renewable Energy Development in Kyrgyzstan project for \$68 million, including grants from the Green Climate Fund. Regional investors are also active, attracting investments in such projects as the Kun Bulagy solar power plant (50 MW) in the Issyk-Kul region, the construction of a wind farm (100 MW) in the Issyk-Kul region. In February 2025, as part of the visit of President Sadyr Japarov to the city. Beijing signed an agreement with Shenzhen Energy Group on the construction of a 300 MW solar power plant and a 300 MW wind farm in the Kyrgyz Republic.

In general, the growing interest in renewable energy sources is associated with the state policy to promote the development of renewable energy against the backdrop of electricity shortages and growing consumption. In 2022, the basic Law “On Renewable Energy Sources” was adopted, which establishes the legal and economic framework for the development of renewable energy sources. This law defines the principles of state policy and mechanisms to support the use of solar, wind, small hydro and other types of renewable energy. In November 2022, the Green Energy Fund under the Cabinet of Ministers of the Kyrgyz Republic was also established, designed to accumulate funds and work on the principle of a “single window” to support renewable energy projects. To simplify the implementation of projects, the government has simplified access to land resources – the Decree of the President of the Kyrgyz Republic and the Resolution of the Cabinet of Ministers of the Kyrgyz Republic in 2023 approved the procedure for allocating land for renewable energy facilities on a competitive basis. As a result, in 2021–2023, dozens of renewable energy projects were initiated – from small hydropower plants to large solar stations.

¹⁵ Программа развития ООН . Обзор возобновляемой энергии — Кыргызстан. http://www.eurasia.undp.org/content/rbec/en/home/library/environment_energy/renewable-energy-snapshots.html

¹⁶ Green Fiscal Policy Network

¹⁷ Kyrgyzstan 2022: Energy Sector Overview



2.3.3. Industrial sector

Industrial activity occupies a key place in the economy of the Kyrgyz Republic, especially in the mining sector, which is associated with a high share of mountainous areas of the country. The share of the industrial sector in the structure of GDP is about 26%. The main areas of industrial production include the processing and production of basic metals and metal products (primarily gold), the production of food products and tobacco products, rubber, plastics, textile and leather products, as well as other non-metallic products.¹⁸ The government is actively encouraging private investors to participate in joint exploration, especially in the fields of titanium and titanomagnetite, which can create economic benefits worth up to 88 billion US dollars¹⁹.

Currently, the main investments in industry are focused on gold mining (64%) and cement production (31%), and to a lesser extent on copper mining (5%). The economy of the Kyrgyz Republic is heavily dependent on gold mining, in particular the development of the Kumtor gold mine, which is the fifth largest open-pit gold mine in the world. However, the mining industry is characterized by low labor intensity, providing jobs for about 3000 people, which is significantly inferior to most other traditional sectors of the economy in terms of the number of employees per unit of production.

According to the Ministry of Natural Resources, Ecology and Technical Supervision of the Kyrgyz Republic, greenhouse gas emissions from industry are estimated at 4% of total emissions. The main sources of emissions in this sector include the production of building materials such as cement and lime, as well as the use of various chemicals in industry. To reduce greenhouse gas emissions in industry, the Kyrgyz Republic plans to introduce cleaner production technologies and improve industrial processes, which will reduce the carbon intensity of products and increase the energy efficiency of enterprises.

2.3.4. Transport sector

The transport sector in the Kyrgyz Republic accounts for 28% of greenhouse gas emissions and up to 75% of emissions of pollutants into the atmosphere. The country's car fleet is in a state of actual obsolescence, which significantly increases its contribution to greenhouse gas emissions. More than 70% of passenger cars have been in operation for more than 10 years. Dependence on motor vehicles²⁰, the use of low-quality fuels and insufficient emission standards exacerbate the environmental situation, deteriorating air quality. Motor vehicles are the main source of nitrogen oxide (NOx) and particulate matter emissions. In addition, climate change and extreme weather events pose risks of degradation and reduced accessibility of transport infrastructure.

Features of the mountainous terrain and low population density are the main reasons for the insufficient development of the railway and partly road network in the Kyrgyz Republic. The country's transport network includes approximately 35,000 km of roads, 420 km of railways, four international and seven domestic airports. Road transport accounts for 95% of all freight and passenger traffic. Rail transport accounts for the largest share of infrastructure investment (56%), partly due to the US\$2.5 billion railway project connecting Uzbekistan and China via Kyrgyzstan. However, most of the large-scale infrastructure projects are aimed at developing the road network.

High capital expenditures on transport infrastructure limit the attraction of both foreign and domestic investment, which is also due to the cautious approach of foreign investors and limited domestic financing opportunities. The²¹ introduction of fiscal incentives for imports and registration taxes have

¹⁸ https://www.unido.org/sites/default/files/files/2018-12/Industrial_Development_Kyrgyzstan-Background.pdf

¹⁹ https://24.kg/english/306224__Akylbek_Japarov_Titanium_exports_could_bring_Kyrgyzstan_88_billion/

²⁰ UNDP 2022

²¹ UNESCAP 2022



contributed to the growth of imports of electric vehicles. However, high start-up costs, continued fuel subsidies, limited in-house technical competencies and a lack of coordination in the development of the charging network limit demand²². decarbonization of cargo transportation.

2.3.5. Tourism

Tourism is a priority sector of the economy of the Kyrgyz Republic and is located at the intersection of several sectors subject to climate risks. The share of tourism in GDP is 3.6%. Strengthening the resilience of agriculture, forestry, transport, construction and energy to climate change is crucial for the development of the tourism industry, as it is these sectors that support natural resources, ensure the availability and accommodation of tourists. Sector Tourism creates economic opportunities by promoting the development of local communities, the introduction of circular consumption patterns and the expansion of low-carbon approaches to development. Demand from foreign tourists increased by 45% between 2022 and 2023, which is 60% higher than pre-pandemic levels²³. Given the geographical characteristics of the Kyrgyz Republic and its vulnerability to climate risks, sustainable management of physical infrastructure and natural resources is key to the successful development of tourism.

There are about 600 organizations providing tourism and recreational services in the republic, among them: 190 specialized accommodation facilities, 365 hotels and similar enterprises, 118 travel agencies and operators, as well as 11 natural parks and reserves²⁴. In addition, about 1527 guest houses are registered. Despite the limited availability of data on the number of tourists and their economic contribution, official statistics show that in 2023, revenues from tourism activities amounted to 13.9 billion soms. Important programmes to strengthen the sustainability of the tourism sector include the PERETO and Greentour projects, which aim to build capacity and implement sustainable practices in the industry.

3. Financial landscape

3.1. Institutional and regulatory framework

In 2009, the Kyrgyz Republic adopted the Law “On Public-Private Partnership”, but it lacked clear and specific rules for the selection of private partners on a competitive basis, mandatory terms of agreements, descriptions of PPP models, risk allocation procedures and other important elements. Recognizing the shortcomings of this Law, amendments were made on May 22, 2012 aimed at improving the operational and institutional framework. Subsequently, on June 22, 2016, a number of amendments to the PPP Law were adopted in order to adapt the legislation to international standards, especially in terms of fiscal (budget) management.

In 2014, the Government of the Kyrgyz Republic established the PPP Project Financing and Preparation Fund (PPF), which has already funded the preparation of six PPP projects and continues to consider new project initiatives (Kyrgyz Republic, 2022).

On July 22, 2019, the updated PPP Law was approved, which provided for a simplified procedure for selecting a private partner in line with international practices (IFC, 2021).

²² Kondev et al. “Putting the foot down: Accelerating EV uptake in Kenya”. Transport Policy , February 2023

²³ National Statistical Committee of the Kyrgyz Republic

²⁴ Ibid.



In 2016, the Government of the Kyrgyz Republic adopted the PPP Development Program for 2016–2021, approved by Resolution No 327 dated June 16, 2016, which defined the main goals of the introduction of PPP mechanisms and measures to achieve them. However, despite the steps taken, the potential for PPP application remained limited, and coordination between the public and private sectors was insufficient for the effective functioning of this model.

In 2021, the updated Law “On Public-Private Partnership” (Law No 98 of August 11, 2021) was adopted²⁵, which is aimed at strengthening the role of authorized bodies in the field of PPP, as well as optimizing the procedures, mechanisms and timing of project preparation within the framework of PPP. This law was signed by the President of the Kyrgyz Republic S.N. Japarov and has the following main goals:

- Improving the efficiency and quality of infrastructure facilities and services provided;
- Optimization of public spending on planning, construction, operation and maintenance of facilities;
- Attracting investment and additional management capabilities of the private sector;
- Ensuring the optimal price-quality ratio throughout the entire life cycle of the project, as well as achieving compliance with the goals set in the implementation of infrastructure projects;
- Promoting innovation, new technologies, efficiency and economic growth.

The role of public-private partnerships (PPPs) is also emphasized in the National Development Program of the Kyrgyz Republic for 2022–2026²⁶, approved by the Presidential Decree of October 12, 2021 No 435²⁷. The program provides for the continuation of work on the introduction of PPP mechanisms and the creation of favorable conditions for their implementation, including the improvement of project preparation and public administration. relevant sectors, raising awareness of the PPP mechanism and developing financial instruments for the successful implementation of projects.

SDGs and Tax Incentives (2021): Special attention is paid to the Sustainable Development Goals and attracting investment in priority sectors of the economy, which is also supported by new tax incentives. In 2021, with the support of the Integrated National Financing Framework (INFF), the Ministry of Economy and Commerce (MEC) drafted an article in the new Tax Code setting out the conditions for granting tax incentives aimed at stimulating the country’s sustainable development and achieving the goals of the National Development Strategy.

The Resolution of the Cabinet of Ministers of March 25, 2022 No 160 approved the regulations governing the procedure for the implementation of PPP projects, which was an important step in creating a legal and institutional framework for their successful implementation.

In October 2022, Resolution No 556 established the Public-Private Partnership Center, which will develop and disseminate PPP mechanisms for various projects.

In addition to this, the government has developed and approved an investment strategy for 2026, the implementation of which will be carried out through the National Investment Agency. However, despite the successes achieved in the field of PPP, a full-fledged regulatory framework to stimulate private investment has not yet been formed.

²⁵ On August 11, 2021 No. 98 “Public-private organizations(minjust.gov.kg)

²⁶ The National Development Program of the Kyrgyz Republic up to 20 years old (Ministry of Justice . government . kg)

²⁷ The President of the Kyrgyz Republic signed the Law No. 435 of October 12, 2021 “2026 (Ministry of Justice. Gov. kg)



Currently, the Ministry of Economy is developing a Green Economy Program. It will involve the development of a green taxonomy for qualifying investments. It is expected that this program can provide specific guidance on green investments. In addition, the government is developing two strategic documents related to climate adaptation and sustainable development – the National Adaptation Plan and the Nationally Determined Contribution to Emissions Reduction.

3.2. Development finance institutions

Development Finance Institutions (DFIs) play a key role in providing financial support to private investors and businesses in developing economies, facilitating the implementation of projects aimed at positive change. Despite being government entities, these institutions largely function as self-funded entities, reinvesting profits from successful investments in new projects. DFIs are generally willing to take on higher commercial risk than private investors in order to support businesses and sectors that have a positive impact on economies and contribute to achieving sustainable development.

Below is a short list of the most significant DFIs.

British International Investment (BII): Formerly known as the CDC, BII is the development finance institution of the UK government. The Foreign, Commonwealth and Development Office is responsible for the organization and is the sole shareholder. The investment portfolio is valued at approximately USD 7.1 billion (at the end of 2020).

The organization's investments are focused on projects with a) economic, environmental and social impacts, as well as initiatives with b) commercial sustainability and financial returns. Reinvested profits from successful projects are directed to new investments. BII actively supports projects that are in line with the Sustainable Development Goals, using funds allocated from the UK Official Development Assistance budget.

Deutsche Invest (DEG): DEG is a German financial development institution that provides support to private companies and financial service providers operating in emerging markets. DEG is a wholly-owned subsidiary of the KfW Group. They provide funding and advice to:

DEG directs its resources to sustainable infrastructure projects, including renewable energy, telecommunications, transport, utilities and waste management. DEG also provides financing and advisory services to banks and financial institutions, providing access to finance for small and medium-sized enterprises in developing countries.

- Private companies that invest in sustainable infrastructure projects in developing countries and countries with economies in transition, in particular in the areas of renewable energy, telecommunications, transport infrastructure, as well as utilities and waste management.
- Companies in developing countries and emerging markets, as well as investment institutions that provide equity financing to private enterprises in these countries.
- Financial institutions and specialized sponsors, such as banks, that provide reliable access to finance, with a particular focus on supporting small and medium-sized enterprises in developing countries.

As part of their business support, they provide specialized advisory services to companies in developing countries aimed at promoting economic transformation, with a particular focus on sustainable development and climate issues (including possible partial co-financing of projects).



Netherlands Financierings-Maatschappij voor Ontwikkelingslanden (FMO): FMO is a Dutch development bank. FMO manages funds from the Dutch government's Ministries of Foreign Affairs and Economic Affairs to maximize the development impact of private sector investment. It is licensed by a bank and is supervised by the Central Bank of the Netherlands. It focuses on investments to achieve SDGs 8, 10 and 13 and three key sectors: agribusiness, food and water, energy and financial institutions.

FMO uses a variety of financial instruments to support private investment in sectors relevant to sustainable development, climate change mitigation and adaptation, such as renewable energy, including solar, wind and hydropower, energy efficiency and forestry.

FMO manages the Dutch Climate and Development Fund, which invests in projects aimed at climate change adaptation and mitigation in developing countries. The fund focuses on a number of priority areas, including sustainable water systems and freshwater ecosystems, forestry, climate-resilient agriculture, and ecosystem restoration aimed at protecting the environment.

The Multilateral Investment Guarantee Agency (MIGA) is part of the World Bank Group. MIGA's main objective is to facilitate cross-border investment in developing countries through the provision of guarantees, such as political risk insurance and credit enhancement, aimed at investors and lenders.

The guarantees provided by MIGA protect investments from non-commercial risks, helping investors to access financing on more favorable terms. These safeguards protect against government actions that may affect the implementation of projects and facilitate the resolution of investor-government disputes. MIGA also provides in-depth knowledge of emerging markets and international best practices in environmental and social governance.

The International Finance Corporation (IFC) is the largest development institution supporting the private sector in developing countries. IFC is part of the World Bank Group (WB) and works with financial institutions to provide capital, mainly in the form of loans to businesses and other organizations, to implement green projects. IFC aims to increase its investments in climate projects to 35% of its long-term commitments from its own account between 2021 and 2025 and partner with financial institutions that finance projects that contribute to climate change mitigation and adaptation.

IFC recently strengthened a partnership with the Government of Kyrgyzstan through the²⁸ World Bank Group's Scaling Solar program to develop a grid-connected solar power plant with a capacity of 100 to 150 megawatts, which will diversify the country's energy mix and increase its renewable energy capacity to meet growing domestic and regional demand. Under the agreement, IFC is assisting the Ministry of Energy and the Ministry of Economy and commerce of Kyrgyzstan in structuring public-private partnerships (PPPs) to attract private sector capital for the construction and operation of a pilot solar power plant.

The U.S. Development Finance Institution (DFC) is an agency of the U.S. federal government and actively works with the private sector to fund solutions that address the most pressing challenges facing the developing world. DFC invests in a variety of sectors, including energy, healthcare, critical infrastructure, and technology. DFC also provides financing to support small businesses and women entrepreneurs, contributing to job creation in emerging markets. DFC's investments are of high standards and are aimed at respecting environmental, human rights and workers' rights.

²⁸ The Solar Energy Scaling Program is an integrated approach that helps governments procure and develop privately funded solar projects to generate electricity at competitive rates.



3.3. Financial Sector in Kyrgyzstan

The Kyrgyz Republic welcomes the attraction of foreign capital, but faces certain difficulties in the development of capital markets. The country's economy relies heavily on cash, and there are a limited number of financial instruments outside of bank lending. The country's two stock exchanges have low trading volumes, which deters investor participation. As of the end of November 2024, the country's public debt amounted to USD 6.6 billion or 37% of GDP. Of this amount, the external debt amounted to 4.5 billion US dollars, and the internal debt was 2.1 billion US dollars. The currency is freely available, and interest rates are competitive.

In May 2024, Moody's changed the outlook on Kyrgyzstan's credit ratings from "negative" to "stable", affirming the long-term issuer ratings in national and foreign currencies at B3. In January 2025, ACRA upgraded the long-term credit rating of Kyrgyzstan to B+ on the international scale in foreign and local currencies. The outlook on the long-term ratings has been changed to "stable", which indicates a high probability of maintaining the current rating in the next 12–18 months.

By the end of 2023, the assets of the banking system of Kyrgyzstan, consisting of 23 commercial banks, amounted to about 6.9 billion US dollars and account for about 50% of GDP. At the same time, commercial banks occupy 77% of financial sector assets, and the capital adequacy ratio at the end of 2023 was about 25%. The ratio of liquid assets to total assets was about 30%, which indicates a stable liquidity situation in the banking system. The liquidity ratio of the banking system as of that date was 77%, which significantly exceeds the standard of 45% established by the National Bank of the Kyrgyz Republic.

There are 21 commercial banks and 304 of their branches in the Kyrgyz Republic. Large banks control 55% of the banking sector's assets and 49% of the total loan portfolio. In the country, 14 commercial banks belong to foreign financial groups, their market share in terms of assets is 65%, and 3 banks are state-owned with a market share of 25%. Of the five largest banks in terms of assets, three are state-owned (Aiyl, Eldik and Bakai banks), and two are privately owned (Otima and Kyrgyz Investment and Credit Bank). Lending and deposits have increased, indicating an increase in the level of financial intermediation. The share of loans in GDP increased from 14% in 2006 to 22% in 2023, and the share of deposits increased from 15% to 36% over the same period. The total assets of the banking sector in 2024 increased by 32.8%, reaching KGS 815.7 billion. The volume of the loan portfolio of banks also increased by 32.2% compared to 2023 (KGS 257.8 billion) and amounted to KGS 340.7 billion, including in the following sectors:

- Loans to industry – 14 billion soms (an increase of 4.7%);
- Loans to agriculture – 47.4 billion soms (an increase of 12.4%);
- Trade loans – KGS 89.9 billion (an increase of 21.5%);
- Loans for construction – 13.6 billion soms (an increase of 14.4%);
- Mortgage loans – in the amount of 39.2 billion soms (an increase of 30.5%);
- Consumer loans – KGS 99.2 billion (an increase of 77.8%);
- Other loans – KGS 31.5 billion (an increase of 3.5%).

Non-bank financial institutions, such as microfinance institutions and credit unions, play an important role in financing small, medium, and micro enterprises in the Kyrgyz Republic, accounting for 8% of financial sector assets. At the same time, the microfinance sector is vital, especially in rural and remote areas where access to financial services is limited. In 2021, the number of borrowers of non-



bank financial institutions was 440 thousand, while banks had 475 thousand borrowers, including individuals and legal entities. The assets of non-bank financial and credit organizations at the end of 2021 amounted to KGS 32 billion. The coverage of the population was about 7%.

Most microfinance organizations use a group lending model²⁹. It is estimated that more than half of microcredit institutions' loan portfolios are unsecured group loans, accounting for between 53% and 71% of total lending. The availability of credit, simplified procedures for obtaining them and the presence of branches in rural areas have made microfinance attractive to the less advantaged rural population.

In addition to private banks and microfinance organizations, other financial institutions play a secondary role in the economy. Capital markets, including debt, government securities, and the insurance market, remain very small. The share of government securities in GDP is 3%, of which 1.3% is accounted for by banks, and about 1.4% by investment organizations such as the Social Fund and the Deposit Protection Agency. In general, capital markets are at an early stage of development, and their market capitalization by the beginning of 2023 approached the USD 1 billion mark.

3.3.1. National Financial Institutions

State Development Bank of the Kyrgyz Republic: The State Development Bank of the Kyrgyz Republic was established in 2022, and its main task is to stimulate the diversification of the country's economy through investment activities, including the financing of large national projects on commercially viable terms. At the end of 2024, the assets of the SDB are estimated at USD 309 million. restructuring of the economy, restoration of production infrastructure, creation of a multiplier effect for related industries, promotion of economic and investment growth in the regions, equalization of the level of their development, ensuring access to medium- and long-term loans, support for investment in domestic enterprises, as well as the introduction of modern methods of credit management and evaluation. In 2024, the State Development Bank for the first time allocated ELDIK Bank 100 million to finance green projects. In addition to the SDB, there are small state investment institutions in the country that contribute to economic development: regional and district development funds (\$35 million), an environmental protection fund (\$3.7 million) and a social partnership fund for regional development (\$10 million).

Aiyl Bank: OJSC "Aiyl Bank" was established by the Government of the Kyrgyz Republic with the support of the World Bank in 1996 as the Kyrgyz Agricultural Finance Corporation (KAFC) to provide loans to farmers and agricultural producers on a sustainable basis. By the decision of the Board of the National Bank of the Kyrgyz Republic and the resolution of December 27, 2006 N 43/1, in 2006 KFC was transformed into OJSC "Aiyl Bank". implementing programs to support the agricultural sector and providing a wide range of banking services, including servicing private and corporate clients, investment business and asset management. The network of Aiyl Bank includes 38 branches, 57 savings banks and 32 mobile cash desks, as well as 26 district and 10 rural credit units in remote regions. At the end of 2024, the bank is the largest in terms of capitalization, its assets amount to KGS 157 billion or 19.5% of the total assets of the banking system, its loan portfolio amounted to KGS 51.4 billion or 14.8% of the total volume of bank loans in the country, of which 32% are aimed at supporting agriculture.

ELDIK Bank: OJSC "ELDIK Bank" traces its history back to 1996, when the "Settlement and Savings Company" was established with an authorized capital of 1 million soms. In December 2007, the company received a banking license and in 2008 was re-registered as "ELDIK Bank" with an authorized capital of 2.3 billion soms. Today, "ELDIK Bank", along with Aiyl Bank, is one of the main financial

²⁹ In group lending, low-income customers form a group in which everyone provides guarantees to others.



institutions. participating in the implementation of state programs to support the agricultural sector, such as “Financing of Agriculture”. In June 2024, ELDIK Bank became the first state-owned bank in Kyrgyzstan to receive a long-term issuer default rating from the international agency Fitch Ratings at B — with a stable outlook, confirming its reliability and stability at the international level. In January 2025, the bank received a score of 45 in the S&P Global Corporate Sustainability Assessment 2024, which is above the average in the international financial industry, demonstrating its commitment to the principles of sustainable development. In September 2024, the State Development Bank of the Kyrgyz Republic allocated ELDIK Bank KGS 200 million, of which KGS 100 million were used to finance leasing, and the remaining KGS 100 million were used to support green projects aimed at improving the climate and the environment.

Union of Banks of Kyrgyzstan: The main tasks of the Union of Banks include: (i) protecting the rights and representing the interests of members of the Union in the National Bank of the Kyrgyz Republic, state and other institutions; (ii) to coordinate the work of the members of the Union in improving the banking system, legal framework and development of banking in the country; (iii) to represent the common interests of the Union of Banks in order to strengthen interregional and international relations; (iv) satisfaction of the information and professional interests of the members of the Union.

Association of Microfinance Organizations (AMFO): The main goal of the Association is to unite the efforts of microfinance and other organizations to increase the availability of credit resources for legal entities and individuals of Kyrgyzstan, reduce credit risks, implement joint projects and protect the interests of credit institutions. The microfinance sector of Kyrgyzstan is represented by a variety of institutions, such as credit unions, microcredit agencies (MCA), microcredit companies (MCCs), microfinance companies (MFC), as well as two specialized state organizations — the Financial Company for the Support of Credit Unions (FCSCU) and the Kyrgyz Agricultural Finance Corporation (KAFC). The Association of Microfinance Organizations acts as a reliable platform for the further development of microfinance structures and actively contributes to the improvement of the legal and regulatory environment for their activities, participating in the development and adjustment of regulations. The Association also develops membership and provides paid services to members and third parties.

Guarantee Fund: The Guarantee Fund was established in Kyrgyzstan to minimize investment risks, including projects in green economy sectors. Key risks, such as currency fluctuations, political volatility and low returns, increase the vulnerability of climate-resilient and decarbonization projects. capitalized and accumulated more than 6 billion soms (about 70 million US dollars). The guarantee fund is focused on supporting entrepreneurs and provides guarantees for small amounts. In the first years of its operation, the fund provided loans of up to 90 thousand soms (1 thousand US dollars), and the average amount of the guarantee from 2016 to 2024 amounted to about 1 million soms (11.7 thousand US dollars). Since its inception, the Guarantee Fund has provided support to entrepreneurs, providing access to financing in the amount of more than KGS 35 billion and providing guarantees in the amount of over KGS 12 billion.

3.3.2. Other actors supporting private investment in climate

Public-Private Partnership Center (PPP Center): The Center is a legal entity focused on attracting private investment through the creation of effective PPP project management systems. Its goal is to support potential partners in the search, initiation, preparation, implementation and monitoring of PPP projects. The main functions of the Center include assistance in the development of PPP regulations and procedures, the creation of methodological recommendations for state and municipal PPP project implementation bodies, preparation of feasibility studies, proposals and tenders, as well as control over the activities of the PPP Project Financing Fund. Currently, the PPP Center operates under the National Investment Agency under the President of the Kyrgyz Republic, previously it was



in the structure of the Ministry of Economy and Commerce of the Kyrgyz Republic. By the beginning of 2024, 27 agreements on PPP projects worth over KGS 31 billion (USD 350 million) had been concluded. At this point in time, the center oversaw 68 PPP projects with a total investment of more than 100 billion soms. At the end of 2023, according to an independent assessment by The Economist Intelligence Unit, Kyrgyzstan rose in the world PPP ranking from 68th to 22nd place, moving from the category of “emerging” to “developed PPP environment”.

Climate Finance Center (CFC): Established in 2017 with the support of development banks under the Climate Investment Program, the CFC is a key institution for coordinating climate finance in Kyrgyzstan. Since its inception, the CFC has been under the Government of Kyrgyzstan (2017–2021), then under the Ministry of Natural Resources, Ecology and Technical Supervision (2021–2023), and since 2023 it has been subordinate to the Cabinet of Ministers of Kyrgyzstan, which emphasizes its importance. The CFC is engaged in the formulation of climate projects, their conceptual design and the search for sources of financing. The Centre also strengthens the capacity of financial institutions, government agencies and NGOs in project development and climate finance.

International Business Council: The Council serves as a link between the business community, government agencies, international organizations and diplomatic missions, contributing to the improvement of the investment climate and stimulating the economic development of Kyrgyzstan.

Investment Coordination Council: This Council under the Cabinet of Ministers functions as a platform for promoting private investment, especially in climate-smart sectors such as sustainable construction, energy conservation, renewable energy, and tourism. It focuses on adaptation initiatives, including farm loans, improved rail connectivity, and the development of small-scale renewable energy projects (hydro, wind, and solar) energy).

Foreign Investors Association: This association develops investment guidelines to help foreign investors navigate the economic situation of Kyrgyzstan and make decisions in key sectors.

Unison Group: Based in Bishkek, Unison Group is a strategic consulting firm that advises governments, financial institutions, and organizations on renewable energy, energy efficiency, climate change, natural resource management, and sustainable development. Their services include consulting, recommendations, project development and implementation, and research.

Community Development and Investment Agency of the Kyrgyz Republic (ARIS): This state agency aims to attract investments to reduce poverty, support private entrepreneurship, develop rural infrastructure and improve the living standards of rural residents. ARIS is also accredited as a national body for direct access to the Green Climate Fund (March 5, 2024) and can manage projects worth between 10 and 50 million US dollars, aimed at adapting to climate change.

Renewable Energy Association of the Kyrgyz Republic: The main goals of the Association include improving the legal framework for the introduction of renewable energy technologies, developing financial mechanisms to support energy technologies, creating jobs, developing investment projects and improving information resources to promote renewable energy and energy conservation.

3.4. Existing investment mechanisms

3.4.1. Green bonds

Green bonds are fixed-income investments issued by public, private, or multilateral organizations to raise capital for environmentally significant projects. They are similar to traditional bonds, offering investors a fixed income, but with the obligation to direct the raised funds to projects that contribute



to sustainable development. Among the possible areas of financing are renewable energy, energy-efficient technologies, environmentally friendly transport, environmental measures, water and wastewater management. Green bonds were issued by many international organizations, including the IFC and the World Bank.

In 2023, the Kyrgyz bank DOSCREDOBANK became the first in the country to issue green bonds³⁰. The funds from these bonds (in the amount of KGS 85 million, or about \$1 million) are aimed at sustainable lending in the areas of tourism, mobility, agriculture and housing, with a coupon rate of 16% for a period of three years³¹.

In 2024, there have been significant improvements in Kyrgyzstan's green bond sector, with the Kyrgyz Stock Exchange launching a dedicated green bond portal to help companies raise foreign capital for environmental projects. At the same time, the State Development Bank of the Kyrgyz Republic implemented an investment program of KGS 100 million, purchasing bonds issued by the Bank of Asia to support gender inclusion and sustainable development in the country. In 2024, the State Development Bank of the Kyrgyz Republic allocated 100 million soms to ELDIK Bank OJSC to finance green projects.

Table 1: Green, Social and Sustainable Bond Issuers in Eastern Europe, the Caucasus and Central Asia

Issuer	Country of issuer	Sector	Type	Volume of issue, billion dollars USA	External reviewers
Bank of Asia	Kyrgyzstan	Banking sector	Social	<0,005	Other
Ameriabank	Armenia	Banking sector	Green	0,06	Sustainalytics
Damu Entrepreneurship Development Fund	Kazakhstan	Financial Services	Social	<0,005	Other
Development Bank of Kazakhstan JSC	Kazakhstan	Banking sector	Green	0,07	Other
Kegoch	Kazakhstan	Infrastructure	Green	0,07	Other
MFO Onlinekazfinance	Kazakhstan	Consumer finance	Social	0,04	Other
Samruk Energy	Kazakhstan	Infrastructure	Green	0,04	Other
Georgia Capital Jsc	Georgia	Financial Services	Steady	0,15	Sustainalytics
Georgia Global Utilities Jsc	Georgia	Infrastructure	Green	0,25	Sustainalytics
JSC "Georgian Railway"	Georgia	Industry	Green	0,50	S&P
Georgian Renewable Energy Company	Georgia	Infrastructure	Green	0,08	Sustainalytics
Microfinance organization Kristall JSC	Georgia	Financial Services	Social	0.01	Other

³⁰ Complies with the International Capital Markets Association's Green Bond Issuance Standard (ICMA Green Bond Principles).

³¹ <https://www.kyrgyzgreenbonds.kg/>



Issuer	Country of issuer	Sector	Type	Volume of issue, billion dollars USA	External reviewers
TBC Leasing	Georgia	Banking sector	Green	0.01	Other
PS Ukrenergo	Ukraine	Infrastructure	Green	1.65	Sustainalytics
International bonds of the Republic of Uzbekistan	Uzbekistan	Government bonds	Green	0,33	Sustainalytics
International bonds of the Republic of Uzbekistan	Uzbekistan	Government bonds	Steady	0,24	Sustainalytics

Source: Ivan Filyutich, 2024. Workshop on Climate Finance for the Private and Financial Sectors Bishkek. UNDP.

3.4.2. Public-Private Partnerships

The Public-Private Partnership (PPP) Development Program in Kyrgyzstan for 2022–2026 was developed to modernize the economic and social infrastructure using existing PPP mechanisms. The Government of Kyrgyzstan has identified 68 priority projects that require about \$1.2 billion in the short term. At the beginning of 2024, 27 agreements were signed with private partners worth more than 31 billion soms (about 350 million US dollars), covering projects in energy, transport and communications, healthcare, education, agriculture and infrastructure. Despite this, as noted by the International Finance Corporation (IFC), the financial gap for Kyrgyzstan's infrastructure in the medium and long term is about \$5 billion. These funds will be required to implement projects in hydropower, transport infrastructure (roads and railways) and other key sectors to make the country resilient to climate change.

There are a significant number of PPPs in the renewable energy sector, but they are much smaller in scale, most PPPs are still in the planning stage, as projects have limited banking attractiveness. As a result, it is necessary to give priority to PPPs in infrastructure sectors such as energy, healthcare, transport and communications, municipal services, education, water supply and sanitation (sanitation), public and public infrastructure logistics (Kyrgyz Republic, 2022).

The Government of Kyrgyzstan also recognized the need to increase the institutional capacity of state and local authorities to ensure quality planning and implementation of PPP projects, including monitoring and management of agreements. As part of these efforts, a PPP Centre has been established, and more than 60 civil servants have been trained and certified in PPP management with the participation of international partners.

3.4.3. Green Climate Fund and the private sector

The Green Climate Fund (GCF) is the largest climate fund in the world, with a capital of about \$10 billion, funded by sovereign states and managed by a 24-member council under the auspices of the UN. The Fund directs its investments to climate change mitigation, adaptation and resilience through a variety of financial instruments: grants, refinancing, loans and equity, depending on the nature of the project proposal. In Kyrgyzstan, the GCF has already invested approximately US\$90 million in five climate projects that support sustainable development and climate change adaptation.



The fund actively engages the private sector through crowdfunding and market transformation. The private sector can receive concessional and risk-mitigated financing through the Private Sector Fund (PSF), which also supports climate initiatives through structured finance, equity funds, and commercial loans. PSF's investments, like GCF's core fund, focus on climate change mitigation and adaptation.

To increase access to GCF funds in countries where the number of accredited organizations and climate projects is limited, such as in Kyrgyzstan, the fund has launched a pilot mechanism for the evaluation of specific projects (PSAA), which will operate from 2023 to 2026. The PSAA mechanism allows non-accredited organizations to obtain temporary accreditation for a single climate project or program. This approach opens up more opportunities for the private sector and accelerates the allocation of the fund's resources in countries such as Kyrgyzstan.

3.4.4. International funds targeted to the private sector

Below is a brief overview of existing international funds aimed at the private sector to which private entities in the Kyrgyz Republic are eligible ³². Full details can be found in the appendices.

Table 2: International Climate Funds for Cooperation with the Private Sector of Kyrgyzstan

Fund	Provider	Resource	Eligibility		How to access
Finance and Technology Transfer Centre for Climate Change (FINTECC)	EU/GEF	Grants	Company	USD 80 million	EBRD
Global Climate Partnership Fund (GCPF)	Government of Germany	Preferential loans	Company	USD 687 million	BMUV
Global Innovation Lab for Climate Finance	Bloomberg and various governments	Loans at the market rate; Preferential loans	Early-stage companies	USD 2 billion	CPI
Access to the Energy Fund	Government of the Netherlands	Grants	Energy projects	€40 million	FMO
Canadian Climate Fund for the Private Sector in Asia II (CCF)	Canadian Government	Loans at the market rate; Preferential loans	Mitigation and adaptation projects	USD 149.5 million	ADB
Finance and Technology Transfer Centre for Climate Change (SCAF)	UK Aid; Government of Germany	Grants	Early-stage companies	USD 34 million	Frankfurt School
Leading Asia's Private Infrastructure Fund (LEAP)	Japanese Government	Loans at the market rate; Preferential loans	Adaptation projects and companies	USD 806.2 million	ADB

³² [https://ndcpartnership.org/knowledge-portal/climate-funds-explorer?recipient\[5488\]=5488&cofinancing=All](https://ndcpartnership.org/knowledge-portal/climate-funds-explorer?recipient[5488]=5488&cofinancing=All)



Fund	Provider	Resource	Eligibility		How to access
ADB Venture Investment Fund 1 (VIF1)	CIF and various governments	Venture capital	Early-stage companies	USD 59.6 million	ADB
U.S. International Development Finance Corporation (DFC)	U.S. Government	Grants; Loans at the market rate; Preferential loans	Projects & Companies	USD 1 billion	DFC
Water Resilience Trust Fund under the Water Finance Partnership Fund (WFPF-WRTF)	ADB	Grants	Adaptation projects	USD 20 million	ADB
Republic of Korea e-Asia and Knowledge Partnership Fund (EAKPF)	Korean Government	Grants	Adaptation and mitigation projects	USD 263.3 million	ADB
High-Level Technology Fund (HLTF)	Japanese Government	Grants	Adaptation and mitigation projects	USD 92.1 million	ADB
Clean Technology Fund (CTF)	SIF	Grants; Loans at the market rate; Preferential loans	Projects & Companies	USD 5.8 billion	Specialized Program for the Private Sector (DPSP)

3.4.5. Kyrgyz-specific private sector investment funds

KyrSEFF+

The Kyrgyz Sustainable Energy Financing Facility (KyrSEFF+) is a continuation of the KyrSEFF Sustainable Energy Financing Facility, which was in effect in Kyrgyzstan from February 2013 to November 2016 and invested US\$20 million in renewable energy and energy efficiency projects. KyrSEFF has resulted in annual energy savings of more than 109 million kilowatt-hours and a reduction in CO₂ emissions of 31,650 tonnes per year.

Launched in November 2016, KyrSEFF+ is an enhanced joint EBRD-European Union (EU) programme to finance and provide grants for investments in priority areas in the amount of US\$ 35 million. The EBRD has expanded this financing mechanism to include not only energy efficiency and renewable energy projects, but also water conservation and resource efficiency projects in the list of eligible activities. on preferential terms through local commercial banks³³ for lending to enterprises,

³³ <https://www.kyrseff.kg/?lang=en>



households, individuals, apartment owners' associations and cooperatives, as well as energy service companies.

Loans under the KyrSEFF+ program are supported by grants of up to 35%, as well as technical advisory assistance provided by the European Union's Investment Facility for Central Asia (EU-IFCA).³⁴ A grant of €9.24 million from the EU IFCA covers technical support (€3.74 million) and incentive grants to subborrowers (€5.5 million).

For individual households, KyrSEFF+ provides loans of up to 75 thousand US dollars and grants of up to 20% of the loan amount. Home owners prepare a list of energy efficiency measures they plan to implement and receive a loan from a partner bank. Grants are paid upon completion of the project.

For apartment buildings, loans of up to 100 thousand US dollars and grants of up to 35% of the loan amount are provided. The main criterion for obtaining a loan is to achieve a higher standard of energy efficiency of the building compared to regulatory requirements.

Small loans up to 300 thousand US dollars and grants up to 15% of the loan amount are provided to industrial and commercial organizations. Applicants or entrepreneurs must meet the following criteria:

- At least 51% of the company's shares are owned by an individual;
- The registration and operation of the company are in accordance with national legislation;
- Solvency and commercial solvency of the company meet the requirements of partner banks;
- The company's activities comply with national standards in the field of environmental protection, occupational health and safety;
- The Company does not carry out activities that fall under the EBRD's Environmental Exemption List.

The program also provides larger loans with the same criteria of up to \$2 million for investments in new equipment and technologies. For the implementation of measures with higher energy saving rates (more than 30%), as well as measures aimed at the use of renewable energy sources, grants are provided in the amount of up to 15% of the loan amount.

KyrSEFF+ also provides free technical assistance. Technology and equipment suppliers can also benefit from this financing mechanism. Investment loans of up to \$1 million are provided to suppliers of energy and water-saving technologies and equipment for the use of renewable energy sources. The loan should be used to expand the production capacity of enterprises. Companies applying for such a loan can receive free technical assistance for the development of the project, but this type of loan does not imply the payment of grants.

Russian-Kyrgyz Development Fund

The Russian-Kyrgyz Development Fund (RKDF) was established to promote economic cooperation between the Kyrgyz Republic and the Russian Federation in order to modernize and develop the economy of Kyrgyzstan, effectively use the opportunities of Eurasian economic integration. The RKDF operates in accordance with the Agreement "On the Russian-Kyrgyz Development Fund" between the

³⁴ The Investment Fund for Central Asia (IFCA) was launched in 2010. In fact, it is a mechanism modeled on the Neighbourhood Investment Facility (NIF), which aims to combine funding in the form of grants from the EU budget with loans from financial institutions for 5 Central Asian countries (Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan).



Government of the Kyrgyz Republic and the Government of the Russian Federation dated November 24, 2014.

The authorized capital of the RKDF is 500 million US dollars. The Fund's equity capital at the end of 2023 amounted to USD 538 million, and the total capital of the banking system of the Kyrgyz Republic amounted to USD 1,171 million. The Fund provides financing at market prices in local and foreign currencies to small and medium-sized enterprises through 13 commercial partner banks, as well as directly to large enterprises. Based on the 2024 portfolio, the priority areas of investment of the RKDF are industry and mining (49%), agriculture (21%), infrastructure (11%), tourism (8%) and transport (6%).

The marginal interest rate in US dollars is 5% for loans through partner banks and 4% for projects with direct financing (in local currency, the interest rate is 12%). A significant problem is the small size of local companies, most of which are not serviced by banks³⁵. At the end of 2023, the weighted average rate on the Fund's loans: in soms – 10.0%, in US dollars – 4.4%, compared to the conditions for long-term loans of commercial banks, is lower by 1.9 and 1.5 times in foreign and national currencies, respectively.

The fund operates in three main product areas: direct investment financing, project financing, and targeted financing for small and medium-sized businesses. In the sectoral structure of the Fund's total loan portfolio, the largest share is occupied by: production – 45.5%, agro-industrial complex, production and processing of agricultural products – 22.5%, infrastructure development – 12.0%, tourism – 8.9%, transport and warehousing – 7.0%.

By the beginning of 2024, the RKDF increased its total loan portfolio to USD 311 million. As of this date, 79.7% of the Fund's loan portfolio was made up of direct financing loans, 19% – financing of small medium-sized businesses (SMEs) through commercial banks and microfinance organizations of the Kyrgyz Republic, 1.3% – the provision of guarantees. Since its inception in 2014 until 2023, the fund has invested about \$760 million in the economy of the Kyrgyz Republic, which is 66% of the total financing of international financial institutions in the country. The presence of the RKDF facilitates access to financing due to large volumes of cheap borrowing and minimal obstacles to direct lending to large enterprises, made it possible to reach a level of development where its policy can significantly affect the state of the financial market as a whole.

Nature Development Fund (MNRETS)

The Nature Development Fund (NDF) is under the jurisdiction of the Ministry of Natural Resources, Ecology and Technical Supervision of the Kyrgyz Republic. The Fund for Nature in Kyrgyzstan focuses on environmental conservation and nature protection. It supports projects aimed at creating or improving infrastructure facilities with a positive impact on the environment. In addition, the fund promotes the development of environmental protection capacities throughout Kyrgyzstan, supports environmental and natural well-being, and encourages the efficient use of natural resources.

Social Partnership on regional development Fund (MoE)

The Social Partnership Fund for Regional Development was established in 2019 as a result of a strategic agreement between the Government of Kyrgyzstan and Centerra Gold Inc. The Fund is managed by the Ministry of Economy and Commerce and focuses on supporting social projects in various regions of Kyrgyzstan. These projects cover areas such as education, health, sports, recreation and other initiatives that contribute to regional development.

³⁵ EBRD Investment Climate Support: Kyrgyz Republic. (2018), EBRD.



Uzbek-Kyrgyz Development Fund

The authorized capital of the Uzbek-Kyrgyz Development Fund, established in 2021, is \$50 million. In the future, its capital will be increased to 200 million US dollars. The headquarters of the organization is located in Bishkek. To date, the Uzbek-Kyrgyz Development Fund (UKDF) has successfully financed 17 projects totaling more than \$32 million since the beginning of its activities.

Hungary-Kyrgyz Development Fund

The Fund was established in order to promote economic cooperation between the Kyrgyz Republic and the Hungary, the modernization and development of the economy of the Kyrgyz Republic, as well as the effective use of the opportunities provided by the Agreement between the Government of the Kyrgyz Republic and the Government of the Hungary on economic cooperation, signed on July 11, 2017 in Mauerbach. The Fund finances enterprises registered in the Kyrgyz Republic in the field of infrastructure, tourism, agriculture, etc., by providing loans at 1.5%–7.25% per annum, depending on the importance of the project for the economy of the Kyrgyz Republic, the degree of Hungarian content, the duration of the project and the level of collateral.

Azerbaijan-Kyrgyzstan Development Fund

The Azerbaijan-Kyrgyzstan Development Fund was established between the two countries in 2023 to promote economic cooperation between Kyrgyzstan and the Republic of Azerbaijan. The Fund finances self-sustaining projects in priority sectors of the Kyrgyz economy by providing financing in agriculture, clothing and textile industries, manufacturing, mining and metallurgy, transport, housing, trade, energy, infrastructure development, tourism and other sectors. To date, his current capital is 100 million US dollars.

Kyrgyzstan Conservation Trust Fund

The Conservation Trust Fund (CTF) is currently a proposed initiative under the UN Multilateral Trust Fund. Its main objectives include promoting sustainable land use, building resilience to climate change, empowering local communities, raising awareness of biodiversity conservation, communicating science-based conservation strategies, and promoting international cooperation. CTF contributes to the goals of the national Financial Plan, the National Biodiversity Strategy and Action Plan and the Mountain Roadmap. UNDP is currently exploring the possibility of operationalizing it.

Government incentives for private investment

The Kyrgyz government has introduced various tax incentives to attract foreign investment. Taxes on the repatriation of profits for foreign investors are now in line with domestic rates. The IT sector benefits from a “zero tax zone” for export-oriented companies. The government also offers tax incentives for clean energy investments, such as VAT exemptions for electric vehicles. To further stimulate investment, five free economic zones have been created across the country, providing tax incentives, simplified customs procedures and other benefits for enterprises operating in their territory.



4. Challenges

In the Global Green Economy Index 2022, Kyrgyzstan is on the 116th position out of 180 countries with an indicator of 0.444. The main dimensions of the GGEI are: climate change and social justice; decarbonization of the sector; ESG markets and investments; and environmental health. Below are the reasons for such a low position of the country in the global index and the problems identified as a result of the literature analysis and interaction with stakeholders of the Kyrgyz Republic, including key participants from the private sector. Despite the interconnection of many of these problems, for practical purposes they are separated into separate categories.

4.1. Regulatory challenges

One of the key issues identified by the private actors consulted is legal uncertainty and policy instability. In recent years, the legislation governing green investments has been amended periodically. However, these changes have taken place without the proper participation of relevant and affected stakeholders in the regulatory drafting process.

Despite institutional efforts to stimulate the development of public-private partnership projects (e.g., the establishment of a PPP Centre), current PPP policies do not create an enabling environment for the preparation of high-quality and financially sustainable projects. This limits the ability to use resources efficiently and to address the critical infrastructure challenges of balancing costs and benefits.

4.1.1. Fiscal incentives and tariffs

In the Kyrgyz Republic, there is insufficient promotion of legislative incentives to attract investment in green technologies. One of the reasons indicated is the fear that tax benefits will negatively affect state budget revenues. Even when there are initiatives to introduce such incentives, their implementation often remains incomplete.

An example is the new Tax Code, which has proposed an amendment aimed at encouraging energy efficiency in buildings through the provision of tax incentives. Although the article was included (exemption from a number of taxes for buildings that meet increased energy efficiency requirements), at the moment its provisions have not entered into force. The delay in implementation sends negative signals to potential private investors, which especially affects small businesses and property owners who are looking to invest in energy efficiency.

In general, there is a lack of a comprehensive and coherent energy efficiency policy. The private sector emphasizes the need for clear legal regulation and the creation of conditions for investment in clean energy technologies, including legislative incentives to promote green technologies.

In addition, there is no systematic analysis of current subsidies. Such an analysis is necessary to identify gaps in sectors relevant to climate change mitigation and adaptation, such as agriculture, construction, energy and others. Subsidy reform is needed, including the development of guidelines for redirecting government incentives to those industries and sectors where they are most needed.

In addition, subsidies for public utilities are a key challenge for the private sector. Currently, energy consumption in the Kyrgyz Republic is carried out at subsidized tariffs. This regulatory distortion reduces the private sector's interest in investing in energy projects, as current tariffs are below cost recovery levels (IFC, 2021).



4.1.2. Informality

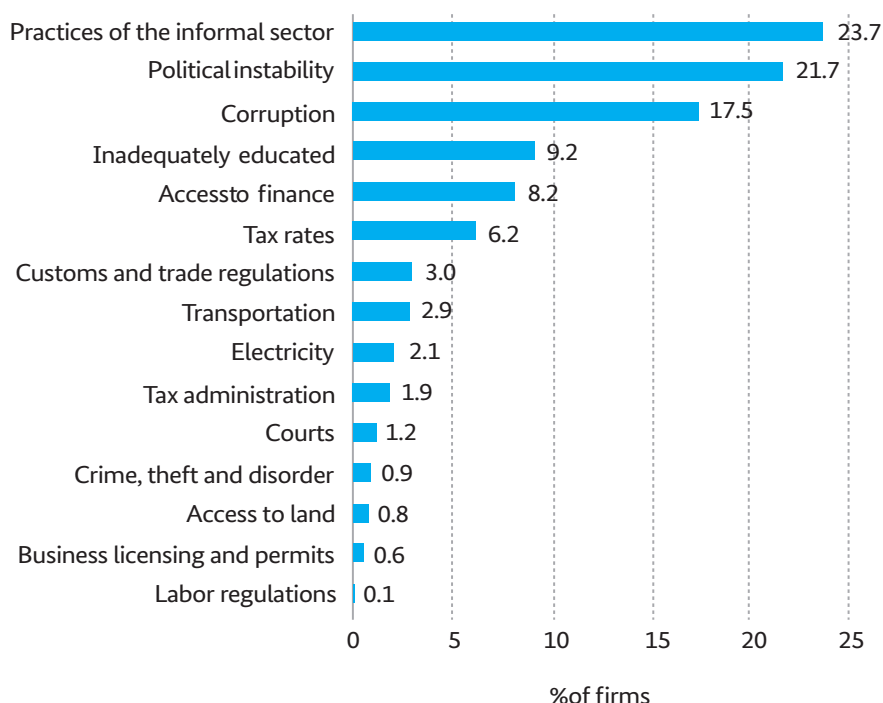
The previous double taxation regime, known as a “patent”, was a simplified form of tax registration for micro-enterprises aimed at encouraging their rapid entry into the market and making it easier to do business by simplifying tax procedures (IFC, 2021). Under this scheme, micro-enterprises were exempt from the need for formal accounting and were rarely subject to tax audits. In addition, “informal” microenterprises received certain tax preferences, as they were exempt from paying social contributions and financial penalties without being required to report their income to the Social Fund (IFC, 2021).

Kyrgyzstan’s tax regime for micro-enterprises has undergone recent changes. The double taxation regime was largely abolished, retaining only a few patents. In 2024, entrepreneurs who previously worked on patents switched to a general tax regime or a simplified taxation system based on a single tax. Within the framework of this simplified system, the tax rates are as follows: 0% for revenues up to 8 million soms, 0.5% for 30 million soms and 1% for up to 50 million soms.

Previously, some businesses abused the patent system, significantly expanding their activities informally and going beyond the limits allowed by the system. This had a negative impact on revenue collection and hindered compliance with the tax and procedural rules that accompany the company’s growth. It has been suggested that this factor is probably the main reason for the absence of medium-sized companies in official statistics (IFC, 2021).

In fact, according to a 2019 survey of private companies conducted by the World Bank, about 24% of the surveyed businesses cited informality as the main obstacle to doing business, while 39% noted it as one of the main constraints (IFC, 2021).

Figure 1: The main obstacles for companies in the business environment.



Source: World Bank Business Survey, 2019, quoted in IFC, 2021



4.2. Environmental, Social and Governance

The Kyrgyz Republic lacks adequate requirements and standards to address environmental, social, and governance (ESG) aspects. For private companies, ESG remains in its infancy, and compliance with standards is typically done on a voluntary basis by large organizations with the necessary resources and international connections. However, work is underway on projects aimed at raising awareness and disseminating ESG principles in Kyrgyzstan. Within the framework of the public-private dialogue, issues of ESG regulation, risks associated with climate change, plans for the transition to sustainable development and green financing instruments are discussed.

Despite the lack of national incentives or mandatory regulations for ESG standards, the Ministry of Economy and Commerce is actively working to create a green taxonomy. This taxonomy will codify goods and services that qualify as “green” in the context of the Kyrgyz Republic. The document, which has undergone rigorous review and multi-stakeholder consultation, is expected to be published for public comment. After approval, the Ministry of Economy and Commerce of the Kyrgyz Republic plans to use the “green” taxonomy to form fiscal and tax policies aimed at stimulating climate investment. In the future, the possibility of using the taxonomy to regulate the disclosure of information on sustainable investments, similar to the TCFD/TNFD recommendations developed in the UK, is also being considered. The Kyrgyz Stock Exchange and others in the private sector expect that such requirements could eventually become the standard, and possibly mandatory.

4.3. Institutional capacity and coordination

One of the most acute institutional problems limiting the involvement of the private sector in climate projects is the low capacity of the relevant state structures. Frequent staff turnover in government agencies further complicates private sector participation. Despite the efforts of the Kyrgyz Republic to improve the skills of civil servants and employees, personnel instability has led to the loss of institutional memory and negatively affected ongoing processes, especially in the conclusion of transactions for public-private partnership (PPP) projects.

As a result, only a few large PPP transactions have been signed in recent years, while in neighboring Kazakhstan their number has exceeded 1000 projects worth over 4.7 billion US dollars. At the moment, there is still an acute shortage of competent personnel in the field of PPP in the Kyrgyz Republic.

Lack of coordination within government structures remains a major challenge. PPP authorities should actively engage with other agencies to identify investment opportunities and create partnerships. Despite the cooperation of the PPP Center with some development partners, the interviewed participants noted the lack of dialogue between the PPP Center and the Climate Finance Center under the Cabinet of Ministers of the Kyrgyz Republic, which have not yet worked together. Establishing such interaction is necessary to identify investment opportunities.

In addition, the decision-making process in Kyrgyzstan is highly fragmented. The identification of needs (e.g. infrastructure upgrades) and investment requirements is carried out by ministries and line departments, with limited participation of local authorities and interaction between sectors. This approach reduces efficiency because projects are developed in isolation and rely on traditional financing methods. This limits the ability to generate revenue and the interest of private investors, including impact investors.

Inter-agency coordination is also necessary to improve business processes. The procedures for obtaining building permits or permanent connections to the electricity grid are complex and costly. According to analytical reports, there are more than 800 different administrative procedures related to doing business in 25 government agencies (IFC, 2021). In order to improve the business environment



and reduce the administrative burden, the Cabinet of Ministers of the Kyrgyz Republic approved the Business Development Program until 2026. This program is aimed at reducing the number of procedures and simplifying processes for entrepreneurs.

4.4. Technical challenges

In the Kyrgyz Republic, the state of infrastructure is characterized by significant problems. In the global ranking of infrastructure quality, the country continues to be in low positions, ranking 103rd among 141 countries in 2019 according to the World Economic Forum (Kyrgyz Republic, 2022). As noted earlier, key infrastructure facilities and facilities in the country are outdated and require immediate modernization.

However, there is a lack of a comprehensive assessment of infrastructure renewal needs, as well as a detailed development of relevant plans and projects. The technical capacity to carry out such a large-scale work is not enough, and this task exceeds the resources of both the state and the private sector to cope with it alone.

Private sector participation in the development of new technologies and infrastructure is limited and tends to be implemented through individual projects rather than larger large-scale initiatives. Opportunities for technological innovation also remain limited, requiring additional support from the state. For a successful transition to sustainable technologies, the country needs affordable resources and technologies, including clean energy, innovative building materials, and other environmentally friendly solutions.

The private actors involved in the consultations emphasize the need for knowledge transfer and close cooperation with innovative technology providers. They also note the importance of capacity-building in the application of green technologies and an adequate understanding of financial and regulatory aspects. For example, in the construction of energy-efficient buildings, it is necessary to revise building codes and introduce new requirements. This creates additional difficulties for private investors, both in terms of technology (for example, the development of new materials and construction methods that contribute to energy and water conservation) and financially, given the additional costs of attracting consultants and investing in new technologies. Similar issues are noted in other sectors.

The interviewed business representatives stressed that the country has a sufficient number of specialists in various disciplines who can be useful in the context of the “green” transition, including engineers, financiers, as well as experts in environmental and sustainable development.

The development of the green economy in Kyrgyzstan is slow, including due to the lack of quality certification (for example, green certificates or environmental labels). A certification scheme could enhance the confidence of market participants, including customers and lenders, and facilitate access to concessional loans and financing.

It is also important to establish effective communication and raise public awareness of the benefits of the green economy. Despite the interest of the population in environmental issues, specific knowledge about the transition to a green economy remains difficult to understand and disseminate among a wide audience. Information on green initiatives is most often available in English and Russian, which limits access to it for communities outside of Bishkek, especially in rural areas where local languages are preferred to be spoken.



4.5. Financial Challenges

Stakeholders who participated in the consultations note the urgent need for access to green loans with favorable interest rates, which will facilitate the transition to sustainable technologies for large, medium, small and households. In particular, individuals and companies need financial support to improve the resource efficiency of housing and commercial stock (for example, insulation of walls, windows, roofs, etc.).

Small and medium-sized enterprises also need financial support to implement green initiatives, both mandatory and voluntary. As noted earlier, they need support to meet the requirements of environmental, social and governance (ESG) standards imposed by lenders, which includes the costs of hiring experts, introducing new technologies and conducting inspections.

Decision-making on decarbonization and climate resilience must take into account the need to ensure the economic sustainability of the private sector. Currently, there are not enough financial instruments that confirm the commercial viability of such projects. Preliminary studies and feasibility studies require financial investments from project initiators, whether public or private. There are limitations to the development of new business models that can increase the attractiveness and financial sustainability of green projects.

In addition, it is necessary to conduct a financial needs analysis and identify short-, medium- and long-term capital and operating cost gaps to achieve green goals.

4.5.1. Financial risks

All projects, without exception, carry potential risks for the parties involved, including possible financial risks. Currently, the Kyrgyz Republic has a limited number of financial and regulatory instruments designed to mitigate the risks of private investment. Thus, there are no creditworthy buyers and government guarantees, as well as a solid and reliable legal framework that can provide confidence to national and foreign investors.

According to IFC, among comparable countries in the region, the Kyrgyz Republic ranks among the first in terms of the number of international disputes in which the state is a respondent (UNCTAD, 2019, quoted in IFC, 2021). Although most cases are resolved in favor of investors, the cause of such cases is often the violation of investment agreements by the state. These disputes not only result in significant financial and time costs for both parties (an average of \$10.4 million in damages and \$3 million in legal costs for the government in each case), but also undermine the confidence of national and international investors in investing in Kyrgyzstan (IFC, 2021).

Insufficient protection and risk mitigation measures severely limit investment activity, especially in key sectors with high growth potential, making such projects significantly riskier and less attractive to private partners (IFC, 2021).



5. Roadmap for Private Sector Involvement

5.1. Recommendations to reduce barriers

The following subsections provide a list of recommendations to facilitate private sector participation in climate finance in the Kyrgyz Republic. This list is not exhaustive and is aimed at identifying the main measures that need to be taken to achieve this goal. In general, the recommendations cover three areas: financial, legal and institutional action. The recommendations are divided into three phases – short-, medium-term and long-term – which involve a gradual build-up of efforts, where the results of the previous phases form the basis for further action.

5.1.1. Short Term (2024–2026)

There is a need to strengthen the capacity of public authorities to manage climate data at the national level. Data on greenhouse gas emissions and climate vulnerability should be regularly updated and publicly available online, as well as open for verification. In this regard, it is necessary to strengthen the institutional capacities of key government agencies, such as the Ministry of Natural Resources, Ecology and Technical Supervision of the Kyrgyz Republic and the Ministry of Emergency Situations of the Kyrgyz Republic, for the effective coordination and management of data coming from various sources: government agencies, non-governmental organizations, energy associations, industry associations and others. In particular, the government will have to: formalize the responsibilities for collecting and managing data for key ministries and departments; Develop standardized procedures and methodologies for measuring climate data; Establish monitoring systems using indicators to track climate performance at the level of industries and companies. All indicators must comply with the SMART methodology.

It is necessary to create a pool of investment projects in the field of climate change and green development. Currently, one of the problems is the lack of quality projects, which is due to the insufficient institutional capacity of state bodies. In this regard, it seems advisable to strengthen the functions in terms of finding and preparing high-quality investment projects to attract climate finance through all possible channels.

State-owned enterprises should act as a model in calculating future pollution costs and charges, as well as the damage from climate change, in a business-as-usual scenario³⁶. This is critical for analyzing the trade-offs between the costs and benefits of new interventions versus a “doing nothing” scenario, which will allow for the development of viable business models. The Investment Council can contribute to these efforts by broadening its focus on climate aspects, including the risks and costs associated with climate change.

Incentives and technical assistance should be provided to encourage companies and organizations to measure their energy intensity and greenhouse gas emissions. To do this, businesses and organizations will need support in building capacity and resources so that they can track progress in decarbonizing their operations and building resilience to climate change. In particular, the government should appoint “climate champions” in public and quasi-public organizations; include criteria for mitigating climate change and measuring adaptation impacts in public procurement standards; and promote the development of a green educational program for the banking sector based

³⁶ Monetary and non-monetary costs include a wide range of variables, including, for example, taxes on high emissions, capital costs to rebuild infrastructure after natural disasters, loss of national income, lost lives, health care costs, insurance payments, etc.



on ESG principles, the upcoming green taxonomy, carbon accounting and a framework for climate information disclosure.

Expanding access to credit with favourable interest rates. The private sector involved in the decarbonization process faces significant climate challenges, while access to cheap credit in the Kyrgyz Republic remains limited. Therefore, one of the key steps is to develop and simplify access to a variety of financial instruments, investment objects and loans with favorable interest rates. In this context, it is important to establish interaction between state bodies, national and international financial institutions to ensure access to these resources. It is also advisable to expand lending programs with preferential rates, similar to those existing in the agricultural sector, to support climate-priority industries. This can be implemented through the Ministry of Finance of the Kyrgyz Republic and the State Development Bank within the framework of the “green” economy program.

Improving the investment climate for climate investors. In order to attract both domestic and international capital, it is important to create a more favorable environment for investors. Improving the investment climate can be achieved by simplifying project approval procedures, introducing tax incentives and investment incentives, as is currently the case with climate-independent industries such as IT and manufacturing. In this direction, the following measures should be taken: the adoption of the Law on Venture Capital to protect early-stage investors in startups; tax exemption of private investments in climate-oriented projects that meet ESG standards for domestic and foreign companies; integration of climate requirements into the country’s free economic zones, as well as the introduction of incentives for industries working in the field of climate change mitigation and adaptation, and sustainability requirements for new buildings and infrastructure. The direction related to attracting climate investments should be adequately reflected in the functional responsibilities of the National Investment Agency under the President of the Kyrgyz Republic.

Initiation of a communication campaign to raise awareness of climate issues. It is important to raise awareness among the general public about the significance of climate challenges and the benefits that can be achieved through mitigation and adaptation measures to climate change. In this regard, the government should develop and implement a communication campaign aimed at raising awareness of the urgency of the climate crisis, the need for active action by the government and the value of these actions for citizens.

Developing and publishing environmental, social and governance (ESG) standards and incentives to comply with them. Medium and large enterprises are aware that compliance with ESG standards opens up access to international climate finance and better terms for obtaining loans. However, meeting ESG requirements comes with additional costs. To increase the availability of such standards, it is recommended to develop and approve a clear green taxonomy for classifying investments according to environmental, social and governance criteria, as well as to introduce financial incentives for organizations that comply with these requirements. The draft Green Taxonomy is expected to be submitted for public consultation in 2024, and the final version will be completed in 2025.

Expanding the functions of the Investment Council and/or the National Investment Agency under the President of the Kyrgyz Republic to support the private sector in obtaining climate finance.

In order to assist the private sector in the implementation of climate-oriented projects, it is important to strengthen the role of the Investment Council and the National Investment Agency under the President of the Kyrgyz Republic. These institutions should direct entrepreneurs and investors to receive grants, debt obligations and equity funds for the implementation of climate-resilient projects, considering the parameters of the project, such as size, industry, profitability, and geography. It is important that the Investment Council and the National Investment Agency under the President of the Kyrgyz Republic work closely together to coordinate support for the private sector.



5.1.2. Medium-term (2027–2029)

Enacting a comprehensive climate change law. The lack of a framework law on climate change limits the ability of public authorities to prioritize and coordinate actions to combat climate change. A comprehensive law should enshrine the importance of adaptation, mitigation and resilience for the public sector, as well as clearly define the responsibilities of each ministry and agency to achieve the goals agreed under national commitments, such as NDCs, NAPs, the Mountain Agenda and other commitments under the UNFCCC.

Development of regulatory standards for low-carbon and energy-efficient, low-waste and low-polluting materials and processes. It is important to develop specific technical standards for low-carbon, energy-efficient, low-waste and low-polluting materials and technologies. This will ensure that there are clear definitions and standards that manufacturers, builders and developers of green products and technologies must meet.

It is necessary to conduct a comprehensive analysis and update of existing building codes and regulations, integrating climate standards adapted to the specifics of the Kyrgyz Republic.

In particular, the risks associated with mudflows, floods, landslides and extreme temperatures should be taken into account in order to minimize the vulnerability of new buildings and structures to natural disasters. An important element of this process will be the introduction of fiscal incentives, such as tax incentives for developers implementing new sustainable standards. This will not only accelerate the transition to the use of energy-efficient and environmentally friendly materials, but also attract additional investment in the development of sustainable infrastructure. In the long term, such measures will provide economic benefits for both the state and society as a whole.

National support for Green City Action Plans (GCAP). The EBRD's Green Cities Programme, partly funded by the GCF, helps municipalities develop GCAP plans that include policies and investments that address environmental challenges. Bishkek has already completed the development of the GCAP and Osh is on track to launch. The Kyrgyz government's support for these plans, including policy alignment and joint investments, will help reduce emissions and increase the resilience of urban areas.

Definition of processes and protocols to reduce financial risks for investors. The state will need support from development partners and the international community to develop protocols and procedures to ensure due diligence and transparency in contracting and project implementation. This includes clear rules for tender processes, selection of contractors and execution of contracts, which will help reduce risks for public and private investors.

Supporting innovative companies in the climate change mitigation, adaptation and resilience sectors. It is important to support the development of innovative companies and technologies that will contribute to the climate transition. To do this, the government can create a climate technology park modeled on Create Industries Park, expand the Water Tech Summit model to other environmental sectors, and introduce mechanisms to support innovative businesses through grants and co-investment.

Expansion of the Guarantee Fund for large infrastructure projects. The existing Guarantee Fund is focused on small businesses, but in order to attract large climate investments, it needs to be scaled up. A corporate-scale guarantee fund should cover the risks of foreign and domestic investors accessing climate finance, as well as integrate currency and social risks into macroeconomic strategies, in coordination with the ministries of economy and finance.

Developing and strengthening institutional resilience to protect against personnel changes. Political problems lead to changes in the composition of civil servants. In order to protect against the loss of knowledge and experience in the field of climate change, financing, and measuring the impact of projects, it is necessary to implement measures aimed at reducing staff turnover. This could include



creating professional incentives to retain key employees, using digital platforms to protect climate data, and building a network of climate champions in government agencies.

It is advisable to delegate to universities and research centers, with the support of development partners, some of the research and forecasts necessary for climate risk management. They should start developing localized models of climate change, begin research and analysis of the consequences for ecosystems and the economy, with a focus on recommending more informed and effective solutions.

Improving coordination between state and quasi-state structures in the field of climate finance.

It is necessary to expand dialogue and coordination between the Investment Council, the Climate Finance Center and the National Investment Agency for more effective interaction in the field of climate investments, identification of sources of financing and establishment of partnerships. This can be achieved through clear mandates in the constituent documents of such structures and through discrete outcomes that facilitate organizational coordination.

Development and issuance of green bonds. In Kyrgyzstan, it is necessary to promote the development and implementation of green bonds that meet international standards and certifications. This will help attract additional funds for the implementation of climate-oriented projects. The list below shows green, social and sustainable bond issuers in Eastern Europe, the Caucasus and Central Asia.

5.1.3. Long-term (2030+)

Establishment of the Energy Efficiency Agency as an independent body. The establishment of an Energy Efficiency Agency outside the Ministries of Energy and Environment would create the conditions for removing conflicting incentives, such as increasing energy production instead of reducing energy consumption, which has obvious climate benefits. An independent agency will contribute to effectively reducing the energy intensity of the private sector.

Increased accreditation of organizations for climate funds. At the moment, only one organization in the Kyrgyz Republic is accredited to the Green Climate Fund (GCF)—ARIS. To increase access to international climate finance, it is recommended to facilitate the accreditation of additional quasi-governmental organizations with experience in administering financial instruments.

Support for financial instruments to manage currency risks. Attracting climate finance from international funds, such as GCF, is associated with currency risks, since funds are provided in foreign currency, while projects are implemented in Kyrgyz soms. To minimize currency risks, it is necessary to develop currency hedges and swaps, which will help protect projects from exchange rate volatility.

Establish a legal framework for a regional carbon trading market. In the long term, the full creation of a carbon market with the participation of the Kyrgyz Republic will be critical. Cooperation with Central Asian governments, possibly through the Central Asian Economic Area, is needed to achieve economies of scale within the carbon market. This will require a price on greenhouse gas emissions, for example through a compliance market (imposing a tax on emissions from businesses above a set threshold) or a cap-and-trade system where businesses can offset their emissions and trade carbon credits. Such a market will stimulate significant investment in environmentally friendly projects (e.g., reforestation, clean transport, etc.) and accelerate the transition to more sustainable practices.

Development of climate insurance standards together with the insurance industry. Climate insurance, which provides financial protection against damage caused by climate risks, will become an important element of sustainable development. Creating conditions for expanding the availability of climate insurance will help attract private investment in infrastructure projects and stimulate business participation in the insurance industry, which, in turn, will increase the country's resilience to climate change.



5.2. Application to GCF

The Green Climate Fund can support policy change and strengthen institutional capacity to engage the private sector in climate projects. For example, the fund can help increase the capacity of public and private organizations to improve data management, strengthen coordination between agencies, and create national ESG standards. Possible regulatory changes may include incentives to accelerate the decarbonization of industry and green building, the introduction of electric vehicles, and the development of carbon markets.

5.3. Action plan

The private sector's approach to climate issues is different from that of governments, NGOs or international development organizations. Therefore, an action plan that motivates private enterprise must take into account the uniqueness of language, motivation and structure.

Some key principles to follow in this regard are:

- **The private sector is a broad category**

When we talk about collective “private sector investment,” it masks a number of activities. Namely, there are a number of actors – for example, small and large firms, investment funds and corporations – with different local presences. These entities use a variety of instruments (e.g., debt, equity, venture capital) to invest in many different assets (e.g., real estate, human capital, technology). Not all permutations of these “private sector” identities respond to the same incentives, opportunities, interests, or relevance regarding climate investment in Kyrgyzstan.

- **Climate change mitigation/adaptation is an emerging market sector**

Very few businesses or investors in Kyrgyzstan focus on climate change mitigation or adaptation. Where there is no market for carbon, natural capital, or other climate-related indicators, the private sector will struggle to invest in them directly. Instead, private industry provides goods and services that will either contribute to or be affected by climate change. Investment promotion requires specifying the hidden value or risk in that business activity. The same is true for financial services: climate finance is not always well known to or well-suited to private investors. Attracting private investment in climate may require translating or reformulating the cost-benefit equation.

- **The private sector values stability**

To make the large capital expenditures required to address climate challenges, businesses need to plan for the long term. Forecasting budgets for the future depends on predictable market and political conditions. Indeed, strong incentives that are either short-lived or unpredictable are riskier for private investors. Clear rules (e.g., tax regime, fiscal incentives, private property rules) and predictability of regulation (e.g., long-term and mandatory requirements) are valued. Minimizing uncertainty can be a key motivating factor for private investment in reducing emissions and adapting to climate change.



5.3.1. Engagement channels

Technical capacity

Accelerating private sector climate investment requires improving the resource capacity and technical capabilities of both the public and private sectors. Government actors need language and content knowledge of climate finance to create an enabling environment. Businesses and investors need tools and skills to understand the costs and benefits of climate action and the actions they need to take.

Clarity of policy and regulation

Private investment is highly attuned to market risk. Clear and fixed government policies reduce the risk of long-term capital liabilities by reassuring investors that financial models will perform as predicted. A robust political regime is, in fact, essential for climate investment, as investors must make long-term capital investments to address the long-term climate vulnerability prevalent in the region. This is particularly important in the Kyrgyz Republic, where the government's stance on private entrepreneurship has varied and private investment has lagged behind partner countries.

Financial access

Investments with climate benefits can be considered high-risk – this will be due to a lack of information, a lack of experience and a lack of market opportunities. Incentives are needed to mitigate the risks of these investments. They can come from subsidies, concessional financing, joint investments, tax breaks, or other means. Increased access to climate capital signals the sector's priorities and highlights the positive externalities created by investments in mitigation and adaptation.

Demonstrating Urgency

Government action can signal the urgency of climate action. For many good reasons, people and businesses in the Kyrgyz Republic may not understand the significance of climate change to their lives – for example, that reducing emissions can reduce pollution or that major climate events pose a growing risk. Highlighting the importance of climate change mitigation and adaptation can send a signal to the private sector that investment is welcome. Nascent technologies and industries are turning to government (and the broader regional order) for support and guidance. Swift and decisive action on an enabling environment sends strong signals to businesses that climate is a priority for the Kyrgyz Republic.



5.3.2. Implementation

The table below illustrates how to operationalize private sector participation.

Term	Name of actions	Interim Potential Milestones	Target	Year
TECHNICAL CAPACITY				
SHORT	<p>Strengthen the capacity of the state to manage climate data throughout the country.</p> <p>Establish incentives and technical assistance for companies and organizations to measure their energy intensity and greenhouse gas emissions.</p> <p>Publish environmental, social and governance (ESG) standards and incentives for compliance.</p>	<p>Climate Agenda/ Programme formulated by the Board of Investment</p> <p>Climate data on key mitigation and adaptation sectors is freely available in government and business</p> <p>Preparation of a pool of investment projects for climate and green finance</p>	Climate units are present in all relevant ministries and agencies, as well as large corporations.	2026
MID	<p>Develop and strengthen to protect institutions from the adverse effects of frequent staff turnover.</p> <p>Improve coordination in state and quasi-state structures in the field of climate finance.</p> <p>Involvement of universities and research centers in the conduct of part of the research and forecasts necessary for climate risk management</p>	<p>Capacity Building Programme for Relevant Ministries and Agencies</p> <p>Climate Champions Recognition Program in Government</p> <p>Broad involvement of academia on climate change issues</p>	<p>Reducing Staff Turnover in Climate-Related Government</p> <p>Increasing the influence of academia on climate risk management</p>	2028
LONG	Supporting the financial services industry's ability to develop currency hedges and swaps.	Integrating Financial Services Leadership into Government Climate Finance Discussions	International Investors Providing Loans in Local Currency	2030
POLICY AND REGULATORY CLARITY				
SHORT	Clarify the roles and responsibilities of government and quasi-public organizations supporting climate action.	Goals for mitigation and adaptation until 2030 have been formulated.	Comprehensive legislation on climate change has been adopted.	2026



Term	Name of actions	Interim Potential Milestones	Target	Year
MID	Commencement of the legislative process for a comprehensive climate change law. Develop specific regulatory standards for low-carbon, energy-efficient, low-waste, and low-polluting materials and processes.	Green taxonomy issued by the government Fiscal stimulus for green products clarified until 2030	Comprehensive legislation on climate change has been adopted.	2026
LONG	Establishment of the Energy Efficiency Agency separately from the Ministries of Energy and Environmental Protection.	Comparative study of energy efficiency agencies in the partner countries.	An independent agency for energy efficiency has been established.	2028
FINANCIAL ACCESS				
SHORT	Reducing the cost of capital for green entrepreneurs. Improving the perceived investment context for climate investors. The beginning of the legislative process for the venture capital law.	Tax incentives for climate-friendly businesses formulated until 2030 Climate standards for investment in free economic zones	Venture Investment Legislation Reducing interest rates on climate loans in the spirit of agricultural loans	2027
MID	Define processes and protocols to mitigate financial risks for investors. Increase the development and issuance of green bonds.	Successful use of the Country Guarantee Fund in mitigation and adaptation projects	Tax benefits established for green bond issues	2026
LONG	Accreditation of more organizations for climate funds.	Financial support for accreditation costs from development partners	1 new accredited organization for GCF; 1 additional accreditation of the foundation	2030



Term	Name of actions	Interim Potential Milestones	Target	Year
DEMONSTRATES URGENCY				
SHORT	<p>Businesses (both public and private) should start identifying future costs and fees for pollution, as well as for damage caused by climate change, in a business-as-usual scenario</p> <p>Initiate a communication campaign to highlight the importance of climate for Kyrgyzstan.</p>	<p>The climate agenda/ programme is formulated in the Chamber of Industry and Commerce and industry associations</p> <p>Growing public support for climate change adaptation</p>	The growth in the number of startups in the field of climate technologies is outpacing regional counterparts	2026
MID	<p>National support to the EBRD's Green City Action Plans (GCAP)</p> <p>Supporting innovative companies in the climate change mitigation, adaptation and resilience sectors.</p>	<p>Linking future GCAPs to the national climate strategy</p> <p>Climate Technology Innovation Competitions/ Funds</p> <p>Climate Technology Park in the spirit of the Hi-Tech Park</p>	Deploy in-house climate technology solutions in a public infrastructure program (e.g., GCAP)	2027
LONG	<p>Accelerate the development of the regional carbon trading market</p> <p>Work with the insurance industry to promote climate risk insurance.</p>	Commission Study on Carbon Pricing and Common Market Viability	Working of the Regional Carbon Trading Scheme	2032



6. Annex A – Private sector funds

Finance and Technology Transfer Centre for Climate Change (FINTECC)

PROVIDER	Funds from the European Union and the Global Environment Facility. Administered by European Bank for Reconstruction and Development (EBRD)
FUNDING TYPE	Grants, In-kind contributions
OBJECTIVE	Mitigation
SECTOR	Cities, Disaster Risk Reduction, Education, Energy, Forestry and Other Land Use, Industry and Infrastructure, Oceans and Coasts, Transport, Waste, Water
DESCRIPTION	The FINTECC programme helps companies in EBRD member countries implement innovative climate technologies in the areas of energy efficiency, renewable energy, water efficiency and material efficiency, to help reduce greenhouse gas emissions and / or increase resilience to the effects of climate change. FINTECC offers incentive grants for introducing eligible technologies, which are available as a complement to EBRD financing. The programme also organizes technical support, provided by the EBRD and international consultants. To assist climate technology transfer within each region, FINTECC offers support to participating governments, by helping them to improve policy environments and legislative frameworks, further enabling organisations in their regions to adopt a wide range of climate technologies.
ELIGIBILITY CRITERIA	Project's eligibility is determined on a case-by-case basis, eligible climate technologies are always those with low market penetration and good replicability potential. Companies apply to the EBRD with a specific project, investment plan and funding request. The EBRD then reviews and analyses the project and develops terms for potential financing. Some projects may also qualify for incentive grants to fund capital expenditures. Examples of eligible climate technologies include Greywater recycling and rainwater harvesting; Applications of cogeneration and trigeneration systems; Advanced heat recovery systems in industrial applications; and LED lighting and advanced energy management systems. Grants are awarded upon completion of the investment in the eligible technology.
FUND SIZE	The proportion of grant within the overall capital costs of a technology is usually calculated using set calibration criteria. Grants are normally also subject to an absolute cap. The amount of funding is determined on an individual basis and ranges from 5 to 25% of the total eligible project costs for the implementation of appropriate technologies but is limited to USD 500,000 in the countries of the RPF. The ultimate goal is to introduce technologies with high replicability potential and low market penetration. The scalability potential of such technologies in a largely untapped sector, region or market is considered attractive for investment.



COFINANCING REQUIREMENTS	Grant support to cover technology costs varies across countries, and it is usually determined as a percentage of the total cost of the technology.
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Global Climate Partnership Fund (GCPF)

PROVIDER	Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety, Germany.
FUNDING TYPE	Loans (concessional and market-rate)
OBJECTIVE	Mitigation
SECTOR	Energy
DESCRIPTION	<p>The Global Climate Partnership Fund (GCPF) is an innovative financing instrument that facilitates broad-based investments in climate-relevant projects in selected countries. To this end, it provides local financial institutions with credit lines, which these institutions then use to offer loans for investments in renewable energies, energy efficiency and the reduction of greenhouse gases. The fund aims to achieve significant leverage of public funds by mobilising additional financial resources from public and private investors. Through efficient energy use and the promotion of renewable energies, the GCPF makes a significant contribution to reducing greenhouse gas emissions. It functions in parallel with measures in the individual countries to reduce CO₂ emissions and increase the security of energy supplies.</p> <p>In parallel with the GCPF, a Technical Assistance Facility has been established to provide Technical Assistance (TA), primarily to assist investees of the fund in their development and growth as well as to facilitate new and protect existing investments of the Fund. The TA Facility is sponsored by the German Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB) and the Development Bank of Austria (OeEB). Activities which could be funded through the TA Facility include Business development support; Technical appraisals of potential initiatives; support financial institutions in developing their sustainable energy financing portfolio, including the design of dedicated products; improve the social and environmental management systems (SEMS) of GCPF partner institutions; Market research as well as feasibility studies to enable the start-up and planning phases of potential direct investments</p>
ELIGIBILITY CRITERIA	<p>The Global Climate Partnership Fund (GCPF) mainly supplies financing to local financial institutions, which provide sub-loans for energy products that benefit small and medium-sized businesses and private households. Energy Efficiency and Renewable Energy GCPF mainly supplies financing to local financial institutions, which provide sub-loans for energy projects that benefit small and medium-sized businesses and private households in particular. GCPF also finances energy efficiency and renewable energy projects directly. Eligible projects cover different sectors and loan sizes. Energy efficiency projects: Eligible projects must provide projected CO₂ savings of at least 20% Renewable energy projects: Most commercially</p>



viable renewable energy generation technologies are eligible for financing, except for bioliquid or biofuel production. GCPF targets renewable energy projects for the retail market, such as home solar systems, as well as small-scale renewable generation plants. Financial Institutions GCPF funds local financial institutions that: are committed to building a green lending portfolio and meet GCPF's social and environmental standards. Direct Investments GCPF funds small scale projects (typically 30 MW) that: are in a late development stage or fully authorised and comply with GCPF's social and environmental management standards.

FUND SIZE	687M USD committed capital from investors
COFINANCING REQUIREMENTS	When investing directly in Projects, GCPF will co-invest with one or more partners.

The Global Innovation Lab for Climate Finance

PROVIDER	Managed by Climate Policy Initiative with funds from Bloomberg Philanthropies, Government of Canada, FinDev Canada, German Federal Ministry of Economic Affairs and Climate Action, UK Department for Energy Security and Net Zero, U.S. Department of State
FUNDING TYPE	Loans (concessional and market-rate)
OBJECTIVE	Adaptation, Mitigation, Cross-cutting
SECTOR	Agriculture, Cities, Disaster Risk Reduction, Energy, Industry and Infrastructure, Oceans and Coasts, Transport
DESCRIPTION	The Global Innovation Lab for Climate Finance (the Lab) is a public-private initiative that aims to drive billions of dollars of private investment into climate change mitigation and adaptation in developing countries by fast-tracking the development of promising ideas to implementation-ready projects through identifying, developing, and piloting transformative climate finance instruments. The Lab aims to respond to the urgency of the climate challenge by quickly developing project-ready solutions that can be implemented in the short term.
ELIGIBILITY CRITERIA	Eligible countries can access support through the Lab network, not directly.
FUND SIZE	\$384 m invested by Lab Members institutions, \$1.4 bn invested by private investors
COFINANCING	Yes

Access to Energy Fund

PROVIDER	FMO Netherlands Development Bank on behalf of the Ministry of Foreign Affairs
FUNDING TYPE	Grants, Other
OBJECTIVE	Mitigation



SECTOR	Energy
DESCRIPTION	The fund supports energy generation, transmission and distribution projects in developing countries. The fund focuses on sustainable energy solutions, which is a focus area for FMO as a whole. The fund can finance renewable energy projects in all countries on the OECD DAC country list, which contains all countries and territories eligible to receive official development assistance.
ELIGIBILITY CRITERIA	The fund can finance renewable energy projects in all countries on the OECD DAC country list, which contains all countries and territories eligible to receive official development assistance. Funding from the AEF is open to small and medium-sized enterprises and commercial banks. Proposed projects must meet technical, financial and institutional requirements and comply with FMO's environmental, social and corporate governance guidelines.
FUND SIZE	Total Fund size is EUR 102 million of which approx. EUR 40 million is still available
COFINANCING REQUIREMENTS	The Fund needs to be Additional and Catalytic. Co-financing is an option. The Fund can take a subordinated position.

Canadian Climate Fund for the Private Sector in Asia II

PROVIDER	Asian Development Bank (ADB)
FUNDING TYPE	Loans (concessional and market-rate)
OBJECTIVE	Adaptation, Mitigation
SECTOR	Agriculture, Disaster Risk Reduction, Energy, Gender, Industry and Infrastructure, Jobs, Oceans and Coasts, Transport, Waste
DESCRIPTION	Established in 2017, the fund aims to catalyse greater private investment in climate change mitigation and adaptation projects that support the pursuit of a low-carbon, gender-responsive, and climate-resilient development path for the region.
ELIGIBILITY CRITERIA	The fund will support private sector projects from the list of eligible countries. Fund resources will not be used to finance stand-alone transactions, meaning ADB participation will be necessary in all transactions
FUND SIZE	\$149.5 million
COFINANCING REQUIREMENTS	No

Seed Capital Assistance Facility (SCAF)

PROVIDER	Managed by Frankfurt School Impact Finance with funds from UK Aid and the German BMU
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FUNDING TYPE	Grants
OBJECTIVE	Mitigation, Cross-cutting
SECTOR	Energy, Poverty
DESCRIPTION	<p>The Seed Capital Assistance Facility (SCAF) is a multi-donor trust fund managed by UNEP and backed by the German Federal Environment Ministry together with the British Department for International Development (DFID). It makes finance available during the development phase of projects being carried out in developing countries and emerging economies that are aimed at promoting the use of climate-friendly technologies (e.g. renewable energies, energy efficiency). The objective of these activities is to stimulate private investment. The assistance available ranges from financial support with feasibility studies and business plans in the pre-investment phase to co-financing of authorization procedures and technical and legal due diligence checks in the late phase of project development. This approach enables the financial barriers typically associated with the project development phase to be overcome. Currently, the geographical focus is on Asia and Africa.</p> <p>SCAF's vision is to increase the availability of investment for early-stage development of low-carbon projects in developing countries, contributing to low-carbon sustainable development, economic growth, poverty reduction and climate change mitigation. SCAF addresses this financing gap by providing financial support on a cost-sharing and co-financing basis to low-carbon projects via private equity (PE) funds, venture capital (VC) funds and project development companies (DevCos). After a successful initial Phase I, Phase II started in 2014 and will run until 2026, supported by contributions from the UK Department for International Development and the German BMU.</p>
ELIGIBILITY CRITERIA	<p>Target region: Southeast Asia and/or Sub-Saharan Africa (Least Developed Countries, Other Low-Income Countries and Lower-Middle Income Countries and Territories as per The Development Assistance Committee (DAC) list of Official Development Assistance (ODA) recipients which can be accessed here) (no single country strategy) Sectors supported: Renewable Energy Generation, Energy and Resource Efficiency, Renewable Energy and Energy/Resource Efficiency Supply Chains. Potential for replication and scalability in order to be commercially viable. Sufficient ESG-safeguards in place (company ESMS, ESIA according to IFC standards on project level, etc.). SCAF funding must be matched 50% by the recipient</p>
FUND SIZE	USD 34 million
COFINANCING REQUIREMENTS	SL0 is limited to USD 500,000. SL1&2 are limited to a maximum of USD 2,500,000 (with a 30%/70% split).

Leading Asia's Private Infrastructure Fund (LEAP)

PROVIDER	Asian Development Bank (ADB) with funds from Japan
FUNDING TYPE	Loans (concessional and market-rate), Other



OBJECTIVE	Adaptation
SECTOR	Cities, Energy, Industry and Infrastructure, Transport, Water
DESCRIPTION	The fund is an infrastructure cofinancing fund, expected to leverage and complement ADB's existing no sovereign platform to fill financing gaps and increase access to finance for infrastructure projects in the region.
ELIGIBILITY CRITERIA	The fund will provide financing to companies and projects, as well as to financial intermediaries (e.g., holding companies and local currency vehicles) where there is a link to Infrastructure (with the exclusion of private equity funds). Eligible countries include ADB developing member countries that are also eligible for official development assistance (ODA) from Japan.
FUND SIZE	\$806.2 million
COFINANCING REQUIREMENTS	No

ADB Ventures Investment Fund 1 (VIF1)

PROVIDER	Managed by ADB with funds from Climate Investment Funds (CIF), Finland, Republic of Korea, Korea Venture Investment Corporation, Nordic Development Fund
FUNDING TYPE	Other
OBJECTIVE	Mitigation
SECTOR	Agriculture, Energy, Health, Industry and Infrastructure
DESCRIPTION	ADB Ventures invest in early-stage technology companies contributing to Sustainable Development Goal (SDG) impact in Asia and the Pacific. The inaugural fund makes equity investments targeting climate impact in Southeast and South Asia.
ELIGIBILITY CRITERIA	Only private sector companies or entities are eligible for assistance. Companies can be domiciled globally; however, the impact focus must be in a DMC. Investment size range from \$100,000 to \$4 million, through the following modalities: Equity and quasi-equity investments to finance and scale early-stage companies with technology enabled solutions contributing to the SDGs; Reimbursable grants to de-risk and deploy impact technology solutions in DMCs; and Technical assistance funded activities to connect potential technology adopters with technology solution providers to generate proof-of-concept opportunities
FUND SIZE	\$59.6 million
COFINANCING REQUIREMENTS	No

U.S. International Development Finance Corporation (DFC)

PROVIDER	The U.S. Government
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FUNDING TYPE	Grants, Loans (concessional and market-rate), In-kind contributions, Other
OBJECTIVE	Adaptation, Mitigation, Cross-cutting
SECTOR	Agriculture, Energy, Health, Industry and Infrastructure
DESCRIPTION	<p>U.S. International Development Finance Corporation (DFC) is a modern, consolidated agency that brings together the capabilities of OPIC and USAID's Development Credit Authority, while introducing new and innovative financial products to better bring private capital to the developing world. The U.S. will have more flexibility to support investments in developing countries to drive economic growth, create stability, and improve livelihoods.</p> <p>DFC makes America a stronger and more competitive leader on the global development stage, with greater ability to partner with allies on transformative projects and provide financially sound alternatives to state-directed initiatives that can leave developing countries worse off. DFC's investments focus on impactful global development, advancing U.S. foreign policy, and generating returns for American taxpayers.</p> <p>Debt Financing Direct loans and guaranties of up to \$1 billion for tenors as long as 25 years, with specific programs targeting small and medium U.S. businesses: Equity Investments DFC direct equity investments can provide critical support to companies committed to creating developmental impact; Feasibility Studies Support for the analysis of a potential DFC project; Investment Funds Support for emerging market private equity funds to help address the shortfall of investment capital; and Political Risk Insurance Coverage of up to \$1 billion against losses due to currency inconvertibility, government interference, and political violence including terrorism. DFC also offers reinsurance to increase underwriting capacity. Technical Assistance Support to increase the developmental impact or commercial sustainability of existing DFC projects or develop potential DFC projects.</p>
ELIGIBILITY CRITERIA	<p>Latin America, Africa, Eurasia, Middle East, Indo-Pacific, except those Places Where DFC Cannot Provide Support.</p> <p>All projects DFC supports must be based in countries where DFC is authorized to do business, meet DFC investment standards, and have a strong track record in the industry.</p>
FUND SIZE	up to \$1 billion
COFINANCING REQUIREMENTS	No

Water Resilience Trust Fund under the Water Financing Partnership Facility (WFPF-WRTF)

PROVIDER	Asian Development Bank (ADB)
FUNDING TYPE	Grants, In-kind contributions
OBJECTIVE	Adaptation
SECTOR	Cities, Industry and Infrastructure, Water



DESCRIPTION The Fund aims to support critical and transformational actions by government agencies, communities, and the private sector needed to strengthen water resilience in Asia and the Pacific. Activities will include developing capacity in ADB developing member countries, building the knowledge base on water resilience, creating an enabling environment through improved policies and planning processes, and developing a pipeline of sovereign and non-sovereign water resilience projects.

ELIGIBILITY CRITERIA:

FUND SIZE \$20 million

COFINANCING REQUIREMENTS No

Republic of Korea e-Asia and Knowledge Partnership Fund (EAKPF)

PROVIDER Asian Development Bank (ADB)

FUNDING TYPE Grants In-kind contributions

OBJECTIVE Adaptation, Mitigation

SECTOR Agriculture, Cities, Disaster Risk Reduction, Economic Recovery, Education, Energy, Forestry, Industry and Infrastructure, Nature-based Solutions and Ecosystem Services, Rural Development, Transport, Waste, Water.

DESCRIPTION The fund was established to contribute to poverty reduction in Asia and the Pacific by improving access to information and communication technology and facilitating knowledge sharing and partnerships

ELIGIBILITY CRITERIA The fund supports ADB TAs, grants, and investments which contribute to project readiness, policy reforms, institutional capacity, and knowledge dissemination. All ADB DMCs are eligible for funding. The fund supports regional and country-specific initiatives.

FUND SIZE \$263.3 million

COFINANCING REQUIREMENTS No.

High-Level Technology Fund (HLTF)

PROVIDER Asian Development Bank (ADB) with funds from Japan

FUNDING TYPE Grants In-kind contributions

OBJECTIVE Adaptation, Mitigation

SECTOR Agriculture, Cities, Disaster Risk Reduction, Economic Recovery, Education, Energy, Forestry, Industry and Infrastructure, Nature-based Solutions and Ecosystem Services, Rural Development, Transport, Waste, Water.

DESCRIPTION The fund aims to promote the integration of high-level technology and innovative solutions in the design and implementation of ADB projects in Asia and the Pacific.



ELIGIBILITY CRITERIA Projects aimed at improving efficiency, productivity, quality, functionality, and/or access to service delivery; addressing climate change mitigation, and adaptation, including resilience to disaster risks; innovation in processes, techniques, and the use of new or improved equipment and materials in construction, operations, and maintenance; reducing environmental and social costs, life-cycle cost, increases durability, and improves long-term performance; scaling up of HLT; and promoting synergies and increases scale and impact through cross-sector collaboration.

FUND SIZE \$92.1 million

COFINANCING REQUIREMENTS No

Climate Investment Funds (CIF) – Clean Technology Fund (CTF)

PROVIDER Managed by the World Bank with funds from nine donor countries.

FUNDING TYPE Grants, Loans (concessional and market-rate), Other

OBJECTIVE Mitigation

SECTOR Energy, Transport

DESCRIPTION The Clean Technology Fund (CTF) is one of the two multi-donor trust funds within the wider Climate Investment Funds (CIFs). The CTF was established in 2008 to provide emerging economies with scaled-up financing for the demonstration, deployment, and transfer of low-carbon technologies with a significant potential for long-term greenhouse gas (GHG) emission savings. The CTF received USD 5.8 billion in commitments, to be deployed through six partner multilateral development banks (MDBs). As the only mitigation-focused multilateral fund built around the operating model of the MDBs, CTF's MDB-collective model is designed to take full advantage of MDBs' key strengths, as well as their ability to leverage capital to attract large volumes of finance from both public and private sources. Some of its key features include its ability to provide resources at scale, emphasis on private sector engagement, innovative financial instruments and a flexible programmatic approach.

ELIGIBILITY CRITERIA Sectoral, sub-national, regional, and national entities seeking funding for large-scale projects that focus on the power sector, transport sector, or energy efficiency may be eligible. Additionally, dedicated private sector programs (DPSP) provide dedicated funding windows of the CTF that finance large-scale private sector projects in clean technology. The CTF uses the following criteria to assess and prioritize the proposed pipeline of programs and projects, with a view to maximizing the impact of CTF resources: Potential for GHG Emissions Savings; Cost-effectiveness; Demonstration Potential at Scale; Development Impact; Implementation Potential; Additional Costs and Risk Premium.

FUND SIZE Cumulative pledges: USD 5.8 billion

COFINANCING REQUIREMENTS Yes



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