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BUSINESS CLIMATE REFORM IN CENTRAL ASIA: INSIGHTS FOR KYRGYZSTAN

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MATRIX OF BUSINESS CLIMATE RISKS IN CENTRAL ASIA

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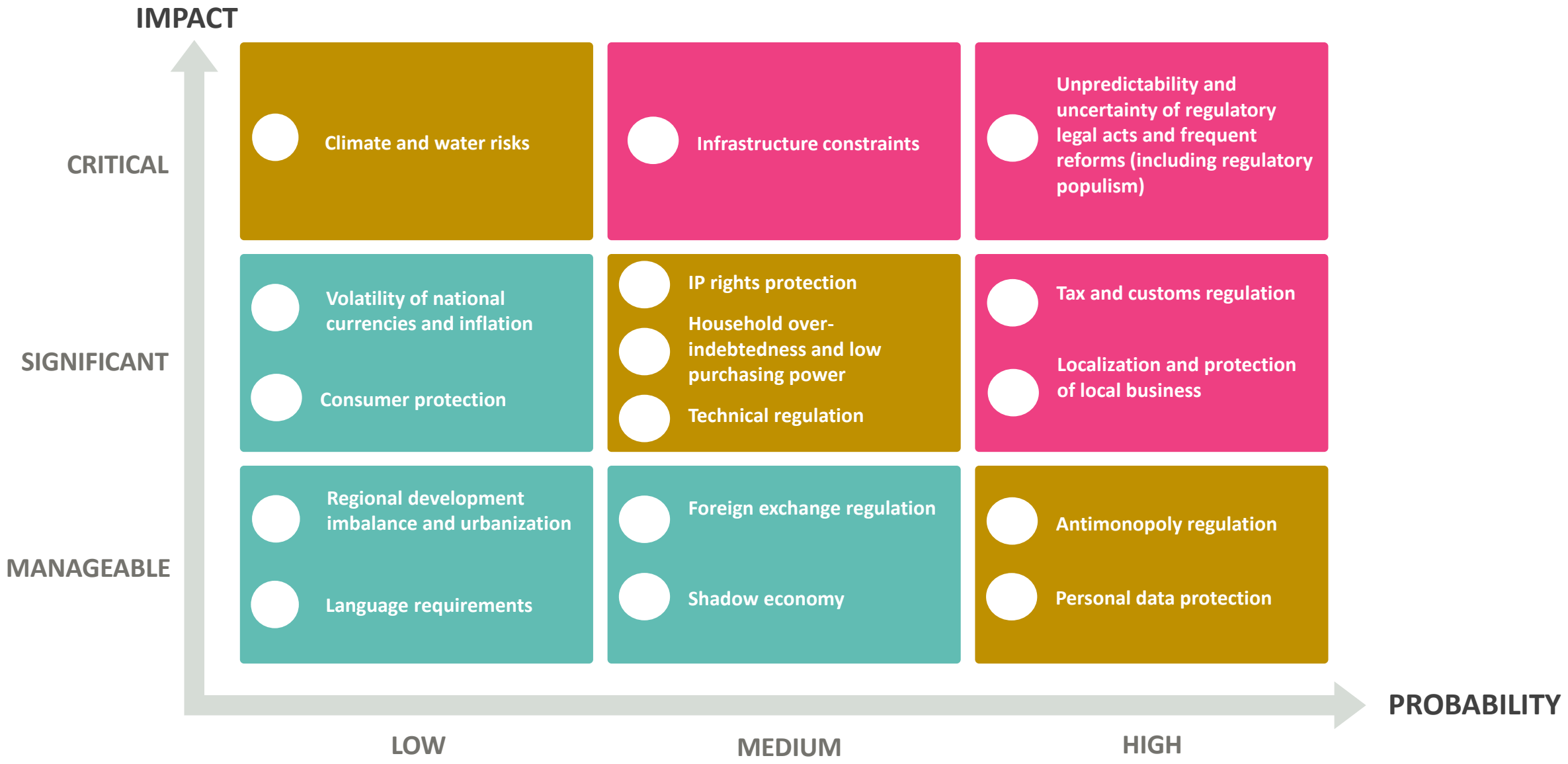

KYRGYZSTAN AND REGIONAL INTEGRATION

CENTRAL ASIA: ACTING TOGETHER

- Central Asia is increasingly viewed as a single political and economic region
- More than 10 regional cooperation formats, including several at the presidential level
- C5+ partnerships diversify international engagement and expand strategic options
- Growing EU-Central Asia cooperation, including the first CA-EU Summit and the Middle Corridor agenda

UZBEKISTAN-KYRGYZSTAN RELATIONS

- Kyrgyzstan is the second largest trade partner of Uzbekistan in Central Asia
- Border delimitation completed in 2022, followed by a mutually agreed village exchange in 2026
- Visa-free travel using national ID cards since September 2023
- Bilateral cooperation continues to deepen across political and economic areas

FINANCIAL INTEGRATION

- "Uzcard-Elcard" cross-border transfers are operational
- "Humo-Elcard" payment acceptance is expanding
- Regional payment integration is accelerating, including Kyrgyzstan-Kazakhstan QR interoperability and Alipay+ connectivity

CKU RAILWAY

- Construction of the China-Kyrgyzstan-Uzbekistan railway is underway, with financing agreements signed in December 2025.
- It will provide Kyrgyzstan's first direct rail connection with China and shorten freight routes to Europe and the Middle East
- Positions Uzbekistan and Kyrgyzstan as key transit hubs along the Middle Corridor

WATER & ENERGY COOPERATION

- Trilateral water-for-energy arrangements (KGZ-UZB-KAZ), including 2026 water allocations, help strengthen regional water security and manage seasonal energy needs.
- Kambarata-1 HPP (1,860 MW) is moving into implementation through joint financing by Kyrgyzstan (34%), Uzbekistan (33%) and Kazakhstan (33%), expanding renewable generation and cross-border electricity trade.

LOOKING AHEAD: REFORM DIRECTIONS KYRGYZSTAN MAY CONSIDER (EXAMPLES FROM UZBEKISTAN)

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Administrative Reform: "Compact Government"

- Administrative reform: independent executive bodies reduced from 61 to 28, with staffing streamlined by up to 30%.
- Greater decentralization: local authorities gained broader powers and financial autonomy.
- One-stop approach for business (e.g. food safety functions consolidated into a single agency)

Technical Regulation: Market-Based Oversight

- Transition from state inspections to risk-based market surveillance
- Standards have become voluntary from May 2026, with ISO/IEC standards automatically recognized
- Unified national conformity mark introduced from January 2027
- Institutional redesign separates standard-setting, testing and accreditation functions
- Stronger product safety framework

Predictable State-Business Interaction

- Unified State Control: all inspections must be digitally registered; unregistered checks are unlawful.
- Greater business protection: real-time notifications and QR/TIN verification of official contacts.
- Stronger accountability: body cameras, digital records and penalties for repeated misconduct.
- Tax Reform 2026-2030: risk-based compliance, AI-powered tax administration and more client-oriented services.

Digital Government: "Zero Bureaucracy 2030"

- Program launched on 1 January 2026
- Digital-first public services, fewer administrative procedures, greater transparency
- Delivery supported by a project office and a public "Zero Bureaucracy" platform
- Personal accountability of agency heads for implementation

Formalizing the Economy

- AI-powered "Shadow Economy Map" monitors risks across 22 sectors, 14 regions and 208 districts, integrating data from 16 government bodies.
- Reported progress: the unobserved economy declined from 35% to 23% over two years, while formal employment exceeded 8.5 million.
- 2030 target: halve the shadow economy, increase formal employment to 14 million, and raise cashless payments to 75%.

Investment Strategy to 2030

- Draft strategy aims to diversify investment sources, improve investment quality and strengthen investor protection.
- Target to reduce the largest single source of FDI from 44% to 30%, while increasing FDI to 26% of GDP.
- Greater focus on high value-added industries, innovation, skills and international standards.
- Planned improvements to investor services through integrated digital platforms, proactive aftercare and stronger legal guarantees.

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THANKS FOR YOUR ATTENTION!

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