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Kyrgyz Republic:

Country Private Sector Diagnostic



NOVEMBER 2026

About the Country Private Sector Diagnostic

The private sector is an engine of long-term economic growth and a catalyst for global social and economic development. When functioning well, it promotes innovation and entrepreneurship, improves access to and the quality of economic opportunities, and supports the sustainable use of natural resources. In developing economies, the private sector creates the vast majority of jobs, generates tax revenue, and accounts for significant investment.

The Country Private Sector Diagnostic (CPSD) reports seek to unlock private investment and job creation through policy action to remove impediments to private investment. Prepared jointly by the institutions of the World Bank Group, each report analyzes specific sectors of the economy in which increased private investment could accelerate growth if appropriate policy and regulatory issues are addressed.

Designed from the perspective of an investor or entrepreneur, CPSDs seek to identify untapped private investment opportunities and the barriers that stand in their way (earlier reports can be found here). Subsectors of the economy are chosen based on their potential to attract private investment, create more and better-paid jobs, generate domestic revenue, and foster sustainable, inclusive growth in response to targeted policy action. The report aims to help policy makers prioritize impactful actions that can be taken in the near term to remove disincentives to private investment, while delivering on broader development goals.

The CPSD is a core country diagnostic of the World Bank Group produced to guide the design and implementation of country strategies, public and private investment projects, budget support operations, advisory services, and other analytical work. It is intended to be of interest to domestic and foreign investors, government officials, Bank Group staff and management, civil society, and other development partners.

CPSDs are a central instrument of the World Bank Group's jobs agenda as articulated in the 2025 Development Committee (DC) Paper on *Jobs: The Path to Prosperity*, which emphasizes translating private sector development into large-scale employment opportunities. CPSDs support this agenda by providing country-level, sector-specific diagnostics that help identify systemic barriers to private investment critical to job creation. They also align with the DC's three-part approach to private sector development and job creation: investing in human capital and infrastructure to establish the basic preconditions for jobs, supporting business-enabling policies, and mobilizing private capital at scale to help firms create more and better-paid jobs.

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Executive Summary

The Country Private Sector Diagnostic (CPSD) identifies sectors with the potential to attract significant private investment over the medium term if well-defined constraints can be addressed through feasible near-term policy actions. It applies an investor perspective to identify factors that discourage investment.

Sector selection follows a systematic process combining quantitative and qualitative analysis with consultations involving private investors, companies, technical experts, policy makers, and development partners. Based on this methodology, the Kyrgyz Republic CPSD focuses on four subsectors: nature-based tourism, fruit and berry production and processing, trout aquaculture, and garment manufacturing. Given the role of judgment in this process, *the selected sectors are not intended to be exhaustive, nor does their selection suggest that other sectors lack investment potential*.

A Country at a Turning Point: Strong Growth, Limited Transformation

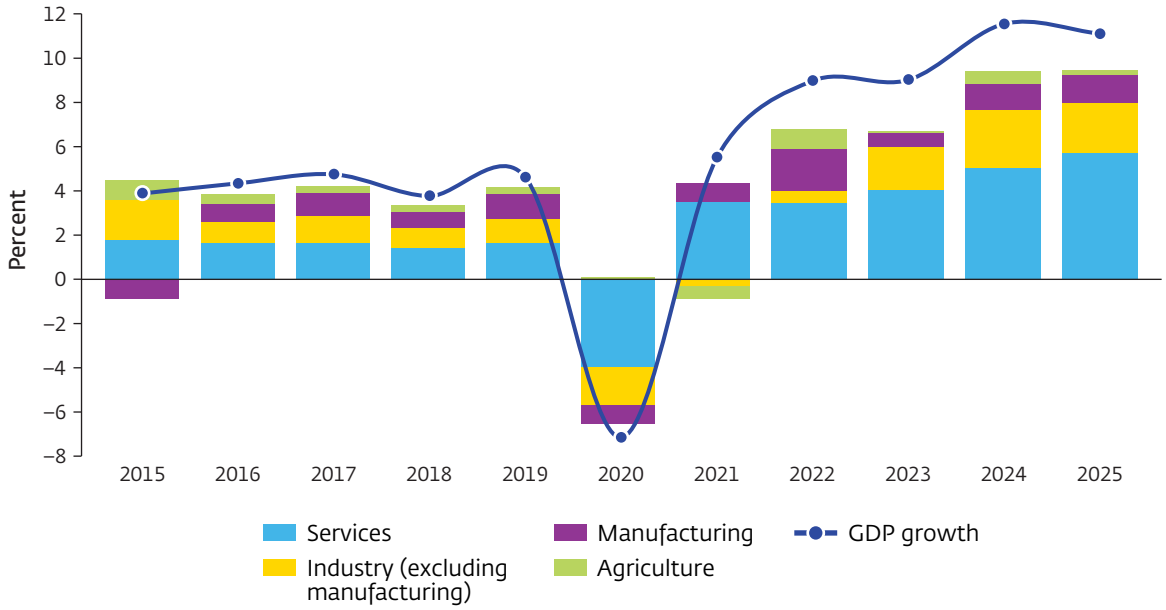
The Kyrgyz Republic has demonstrated considerable macroeconomic resilience despite the structural constraints of a small domestic market, landlocked geography, and exposure to external shocks. Real GDP growth averaged 5.6 percent between 2016 and 2025 and increased during 2022–25 (figure ES.1), while public debt declined from pandemic-era levels and international reserves strengthened.

Recent growth has been driven largely by strong domestic demand, supported by remittance-driven household consumption, construction, and public spending. The increase in investment has been concentrated largely in construction and public capital spending. However, import-intensive demand and continued dependence on remittances leave the economy exposed to external conditions, while growth has not generated sufficient productive employment domestically.

Structural transformation has proceeded slowly. Services have become the main contributor to economic expansion, but productivity gains are constrained by the

Figure ES.1

Services Have Been the Largest Contributor to GDP Growth Since 2019



Source: Calculations based on data from WDI.
Note: GDP = gross domestic product.

concentration of firms and employment in relatively low-value activities and limited reallocation of resources toward more productive firms. Industry is anchored in a narrow manufacturing base, while merchandise exports are concentrated in gold, agricultural products, low-complexity manufacturing, and reexport activity, with limited domestic spillovers.

Domestic private investment and foreign direct investment have yet to become broad-based drivers of diversification and productivity growth. Foreign investment is concentrated in a few capital-intensive activities, while weak supplier capabilities, regulatory uncertainty, and concerns about contract enforcement constrain linkages with domestic firms. The authorities have taken steps to strengthen the investment framework, including adopting a new investment law in 2025 and advancing a digital one-stop-shop system for investment projects. Building on these reforms, the central challenge is to translate recent growth into stronger firms, more productive investment, diversified exports, and better-paid jobs.

Constraints to Private Investment

The domestic private sector is fragmented and dominated by microenterprises, while medium-size firms are scarce, accounting for only 0.1 percent of all business entities during 2020–24. Large enterprises are more prevalent but concentrated in mining, energy, banking, and communications. This "missing middle" limits the number of firms with the capabilities and scale needed to invest in technology, meet quality and export standards, anchor supplier networks, and integrate into regional value chains. Although entrepreneurial activity is widespread, relatively few firms develop into larger, formal enterprises capable of attracting investment and creating productive jobs at scale.

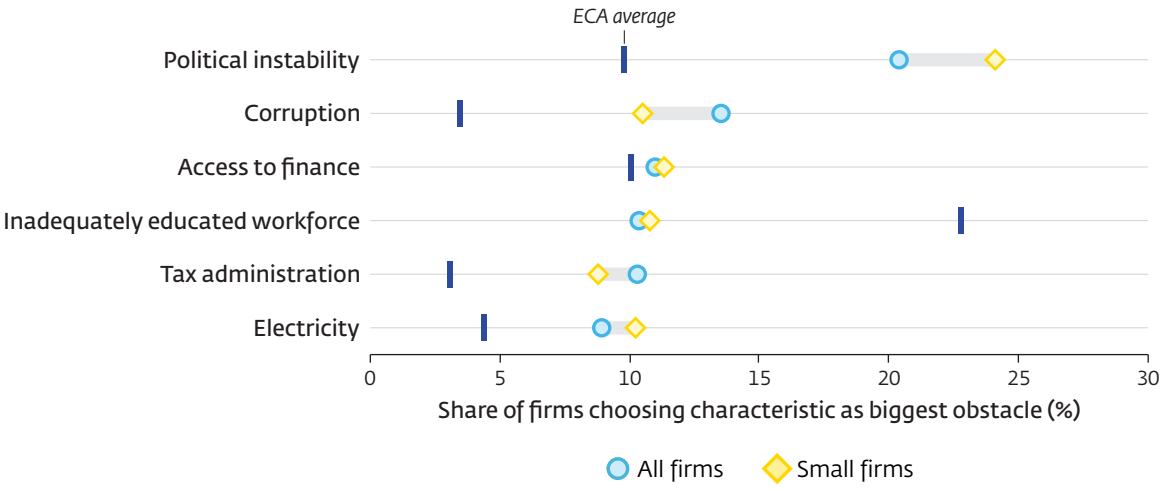
Informality is both a feature and a reinforcing factor of this fragmented business structure. In 2023, the informal economy employed approximately 1.75 million people and accounted for an estimated 19 percent of GDP in 2023, while 56 percent of workers were informally employed in their main job. Many firms operate informally because low productivity and profitability reduce the perceived benefits of formalization. In turn, informality can restrict access to finance, formal contracts, training, social protection, and larger markets, making firm expansion and productivity improvements more difficult. Fragmented tax and social insurance regimes, uneven enforcement, and labor regulations poorly adapted to subcontracting and home-based production further weaken incentives to formalize.

Limited access to finance compounds these constraints (figure ES.2). Domestic credit to the private sector is well below regional and income-group comparators, while long-term finance, trade finance, and capital market instruments are scarce. High borrowing costs, stringent collateral requirements, and weak collateral enforcement particularly affect small and medium enterprises (SMEs) and capital-intensive investments. Informality and limited access to finance are mutually reinforcing: informal firms often lack the financial records and collateral required to borrow, while limited financing options make it more difficult to invest, formalize, and scale.

The state's large economic footprint and broader weaknesses in the business environment further constrain private sector development. State-owned enterprises account for approximately 27 percent of gross domestic product (GDP) and operate in both monopoly and competitive markets, often benefiting from preferential access to credit, single-source procurement, and less stringent governance requirements than private firms. These conditions weaken competitive neutrality and discourage market entry. Firms also identify political instability, corruption, and access to finance as leading constraints, while uneven reform implementation, informal payments, and unpredictable regulatory enforcement raise transaction costs and reduce investor confidence.

Figure ES.2

Firms Identify Political Instability, Corruption, and Access to Finance as Leading Business Constraints



Source: 2023 World Bank Enterprise Surveys.
Note: ECA = Europe and Central Asia.

Fragmented regulations governing land access, permitting, and compliance further delay investment decisions. Investors often face multistep processes involving multiple agencies, without clear timelines or transparent criteria. These constraints are particularly significant for projects requiring secure access to agricultural, pasture, forest, water, or protected land.

Infrastructure and service-delivery gaps raise operating costs, particularly outside major urban centers. Deficiencies in electricity, transport, water and sanitation, heating, and municipal services reduce business reliability and constrain investment in location-dependent sectors such as tourism, agribusiness, and aquaculture. Information gaps create additional barriers, as investors often lack reliable data on market size, demand, production, input availability, and regulatory risks.

Finally, skills shortages and weak alignment between education and training systems and labor market needs limit firm upgrading. Businesses face difficulties recruiting workers with the technical, managerial, and specialized skills needed to adopt new technologies and move into higher-value activities.

Four Sectors with Investment Potential

This diagnostic identifies four subsectors with the potential to attract private investment through feasible near-term policy reforms: nature-based tourism, fruit and berry production and processing, trout aquaculture, and garment manufacturing. Selected based on market demand, firm capabilities, and reform feasibility, these subsectors also offer opportunities for job creation, productivity gains, export growth, and broader economic spillovers (table ES.1).

Targeted policy reforms across the four subsectors could catalyze up to US$618 million in private investment and generate up to 67,600 more and better-paid jobs over the medium term. The following sections summarize the investment opportunities, key constraints, and priority policy actions for each subsector.

Table ES.1

Assessment of Sector Potential

Subsector	Investment potential	Contribution to job creation	Contribution to other development objectives
Nature-based tourism	HIGH	MEDIUM/HIGH	HIGH
Fruit and berry production and processing	HIGH	MEDIUM/HIGH	HIGH
Trout aquaculture	MEDIUM/HIGH	MEDIUM	MEDIUM
Garment manufacturing	MEDIUM/HIGH	HIGH	MEDIUM/HIGH

Nature-Based Tourism

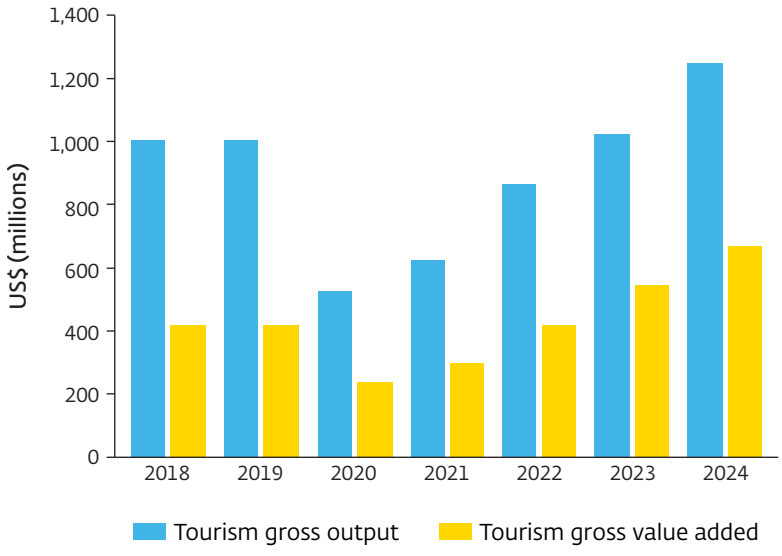
The Kyrgyz Republic holds significant commercially viable opportunities in higher-value nature- and adventure-based tourism, destination services, and year-round accommodation. Its comparative advantage is rooted in its natural landscapes and cultural heritage, with mountains covering 94 percent of its territory, including the Tian Shan and Pamir-Alay ranges, and diverse climatic zones supporting multiseason tourism experiences. These natural assets, complemented by nomadic traditions and Silk Road cultural heritage, support differentiated products such as ecolodges, yurt camps, and soft-adventure experiences that align with growing global demand for sustainable, experience-oriented travel among higher-spending visitors.

Tourism has recovered strongly since the pandemic, with international tourism receipts exceeding US$1 billion and gross output reaching approximately US$1.25 billion in 2024 (figure ES.3). Growth continued in 2025, with tourism generating more than US$847 million in gross value added, equivalent to 3.8 percent of GDP.

Strong growth in visitor arrivals has yet to translate into higher-value tourism, partly because demand is dominated by short-stay, lower-spending regional travel. Much of this travel comes from neighboring countries and involves transit, cross-border

Figure ES.3

Tourism Gross Output and Value Added Have Recovered Strongly Since 2020



Source: Calculations based on data from the NSC KR.

activity, and visits to friends and relatives, generating limited spending on formal tourism services. As a result, rising arrivals have not translated into commensurate higher-value accommodation and destination services. Combined with seasonality and limited product diversification, this pattern constrains private investment in higher-end, internationally marketable tourism products.

Private investment in tourism is constrained by regulatory uncertainty, weak land-use governance, infrastructure gaps, and skills shortages that increase investor risks and undermine project bankability, particularly in remote destinations with strong tourism potential. Discretionary land-use regimes governing pastureland, forestland, and protected areas undermine tenure security, while fragmented permitting procedures increase costs and delay investment. Inadequate destination infrastructure, including unreliable electricity, limited water and sanitation services, poor waste management, and inadequate road access, raises operating costs and restricts year-round operations. Limited air connectivity constrains access from higher-spending markets, while shortages of qualified guides, hospitality workers, and safety personnel weaken service quality.

Targeted reforms could unlock private investment by strengthening land tenure security, streamlining permitting, improving visitor access, and enhancing institutional coordination. Priorities include amending Chapter 10 of the Land Code to protect bona fide purchasers; establishing predictable land-use extensions and proportionate termination procedures; introducing risk-based construction and permitting requirements; establishing a digital single window for tourism permits with binding timelines; extending permit validity and simplifying renewals; and introducing digital border-zone permits. Revising bilateral air service agreements and implementing Open Skies policies on priority tourism routes could further improve accessibility.

Implementing these reforms in the near term could catalyze up to US$220 million in private investment and generate up to 20,800 more and better-paid jobs over the medium term.

Fruit and Berry Production and Processing

The Kyrgyz Republic offers commercial opportunities in export-oriented production, postharvest handling, and processing. Favorable agroclimatic conditions, an established tradition of cultivating apples, apricots, cherries, and berries, and growing demand in neighboring Eurasian Economic Union (EAEU) markets underpin the sector's medium-term potential. Expanding planted areas, particularly for berries and intensive orchards, and rising exports indicate increasing integration with regional markets and untapped

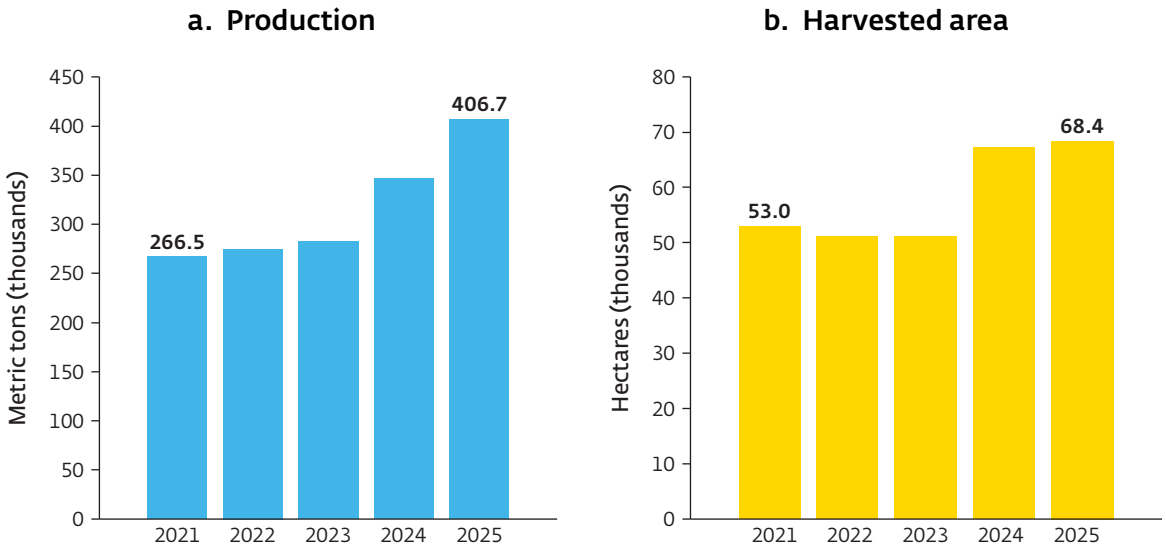
export potential for fresh and processed products. Investment opportunities span primary production, cold storage, aggregation, processing (drying, freezing, juices, and concentrates), and logistics, which can increase the value and shelf life of existing output.

Production growth has not translated into commensurate productivity gains or value addition. Fruit and berry production increased by roughly 50 percent between 2021 and 2025 (figure ES.4), but yields are still low relative to comparator countries, reflecting productivity constraints and weak value chain organization. Limited processing capacity, high postharvest losses, and inadequate downstream infrastructure constrain access to higher-value export markets. Given limited arable land and increasing pressure on irrigation resources, future growth will depend increasingly on raising yields, reducing losses, and expanding value addition rather than cultivated area alone.

Private investment is constrained by regulatory, financial, and institutional weaknesses that increase risks and prolong payback periods, particularly for capital-intensive projects. Fragmented production and weak aggregation limit scale, quality standardization, and reliable supply to organized buyers. These challenges are compounded by uncertain land access and use, inadequate certification and laboratory capacity, limited long-term finance and collateral recognition, and gaps in postharvest, cold-chain, and energy infrastructure. Restrictive input regulations, inconsistent tax treatment of orchard infrastructure, and seasonal labor shortages further undermine investment predictability.

Figure ES.4

Fruit and Berry Production Has Increased as Harvested Area Has Expanded



Source: NSC KR.

Together, these constraints reinforce dependence on low-value sales and discourage private investment in higher-value, export-oriented activities.

Targeted reforms could unlock investment by improving land access, regulatory predictability, certification, infrastructure, and aggregation. Priorities include standardizing land allocation and land-use procedures with clear timelines; simplifying land-use transformation; strengthening accredited laboratory testing and certification capacity; streamlining approvals for agricultural inputs through risk-based procedures; clarifying value added tax (VAT) treatment of agricultural production assets; introducing proportionate, time-bound permitting for cold-chain and agroprocessing facilities; and strengthening cooperative governance to protect investment contributions and support aggregation.

Implementing these reforms in the near term could catalyze up to US$250 million in private investment and generate up to 24,000 more and better-paid jobs over the medium term.

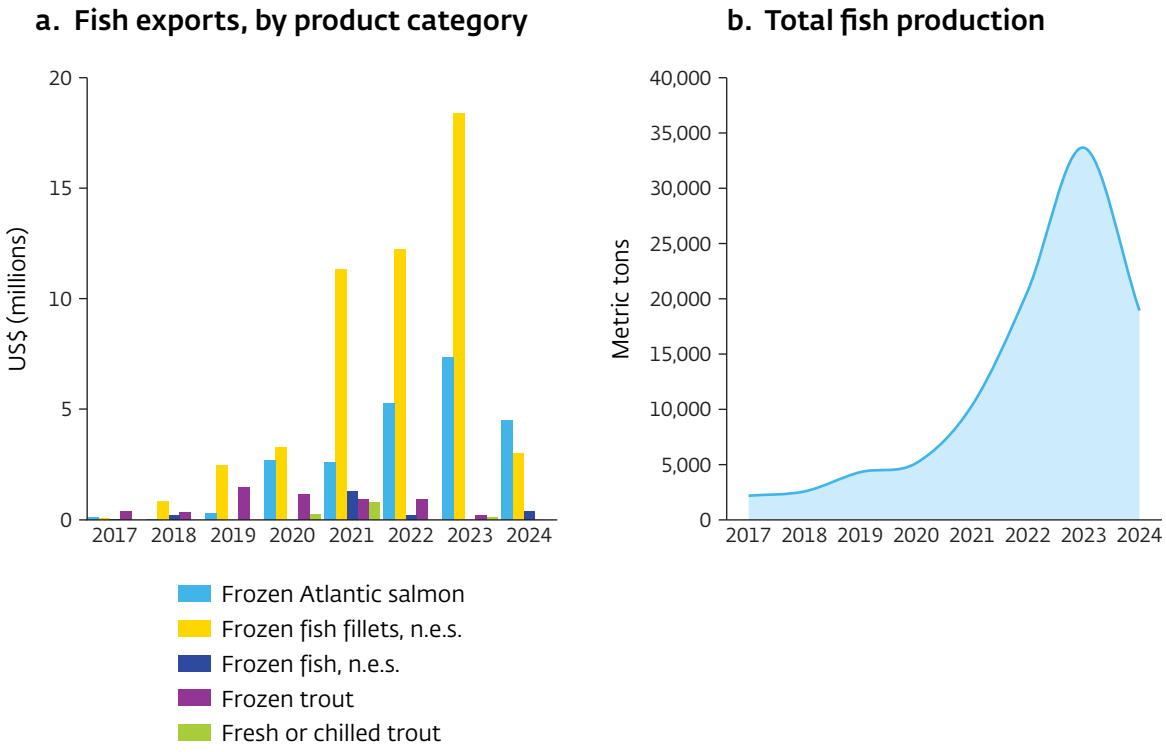
Trout Aquaculture

The Kyrgyz Republic has natural advantages in cold-water trout production, including high-altitude lakes, abundant freshwater resources, and hydropower reservoirs suited to cage and pond systems. These advantages have supported rapid aquaculture growth, with trout accounting for more than 65 percent of annual aquaculture production during 2021–23. National fish production reached approximately 33,600 metric tons in 2023, while exports totaled 5,556 tons, valued at roughly US$26 million (figure ES.5).

Export prospects are supported by strong regional demand, particularly from the Russian Federation, the main destination for Kyrgyz fish exports, followed by Kazakhstan and Uzbekistan. Membership in the EAEU provides tariff-free access to large regional markets where demand for trout and other fish products has expanded. However, fish exports declined sharply in 2024 (figure ES.5), largely reflecting the Russian Federation's temporary suspension of trout imports following repeated detections of prohibited and harmful substances in exported products. Although restrictions were lifted in July 2024, the episode highlighted the sector's vulnerability to disruptions in market access. Unrealized trout export potential is estimated at US$62 million, indicating opportunities to scale production, diversify into processed and certified trout products, and capture a larger share of higher-value regional demand.

Figure ES.5

Fish Production Expanded despite a Sharp Decline in Exports in 2024



Source: Based on data from ITC Trade Map and FAO FishStat.
Note: n.e.s. = not elsewhere specified.

Realizing this potential will require stronger regulatory and compliance systems to support commercial-scale investment. Key constraints include uncertain environmental approval requirements, fragmented land and water access procedures, and weak aquatic animal health and input controls, particularly for imported ova, aquafeed, and veterinary medicines. Inadequate residue testing, export certification, and traceability further limit aggregation from smaller farms, increase market access risks, and discourage investment in processing. The trade disruption highlighted how these weaknesses can affect shipments, damage exporters' reputation, and undermine investor confidence. Addressing these constraints would reduce production volatility, strengthen export credibility, and create the conditions for larger, more formal, and investment-ready aquaculture value chains.

Targeted reforms could unlock investment by improving site access, environmental approvals, biosecurity, input quality, and export compliance. Priorities include introducing aquaculture-specific environmental screening and simplified approvals for lower-risk projects; establishing coordinated land and water-use approvals; strengthening

import risk analysis and quarantine requirements for fertilized ova; improving aquafeed quality standards and testing; strengthening veterinary medicine controls, residue monitoring, and export certification; and operationalize an interoperable traceability system covering production, harvesting, and processing.

Implementing these reforms in the near term could unlock up to US$70 million in private investment and generate up to 8,400 more and better-paid jobs over the medium term. Beyond trout exports, investment could support employment in farming, processing, logistics, and input supply, strengthen rural livelihoods, and encourage the formalization of SMEs. Improvements in aquaculture regulation and production could also support the expansion of affordable farmed fish species for domestic consumption, with potential benefits for nutrition and food security.

Garment Manufacturing

Garment manufacturing is one of the largest industrial employers and an important entry point for labor-intensive private investment, particularly benefiting women and lower-skilled workers. Between 2020 and 2024, the sector contributed about 1.2 percent of GDP and employed more than 39,000 workers, accounting for approximately 13 percent of manufacturing employment. Its comparative advantage lies in a flexible production base dominated by SMEs operating under a cut-make-trim model using imported fabrics. Rather than competing with vertically integrated or large-scale producers, Kyrgyz firms specialize in short production runs, rapid turnaround, and small-batch orders. Preferential access to EAEU markets and proximity to Kazakhstan and the Russian Federation reinforce this model, while growth in woven apparel exports points to opportunities in fast fashion, private-label production, modest fashion, and other design-driven segments. Investment opportunities therefore lie primarily in downstream garment manufacturing, particularly woven apparel, alongside design, production management, branding, compliance, digital sales, and trade logistics.

However, the sector's potential is constrained by informality, market concentration, weak compliance systems, logistics uncertainty, and skills shortages. Widespread informality fragments production across small workshops and subcontracting arrangements that are difficult to integrate into formal, traceable, and compliant value chains. Heavy dependence on Kazakhstan and the Russian Federation also exposes exporters to regulatory and market disruptions, as illustrated by recent shipment delays associated with tighter labeling, origin documentation, VAT administration, and customs requirements. Limited domestic testing and certification capacity, unreliable digital labeling systems, unpredictable transit along the Kazakhstan–Russian Federation corridor, limited access to

consolidated air freight, and shortages of technical and managerial skills further increase costs, undermine delivery reliability, and discourage investment in higher-value exports.

Targeted reforms could unlock investment by strengthening compliance capacity, improving logistics predictability, and increasing labor market flexibility. Priorities include expanding electronic navigation seal coverage to all major garment products and supporting its adoption; upgrading domestic textile testing and certification capacity, including ISO/IEC 17025–accredited laboratory services; establishing a unified digital conformity assessment system through Tunduk and Tulpar, with transparent timelines and market-specific guidance; improving the reliability of Teksher and Honest Mark and introducing bulk QR code registration for garment consignments; enabling consolidated air cargo shipments at Manas International Airport; introducing simplified fixed-term employment contracts for temporary production; and strengthening enforcement of foreign worker authorization requirements while facilitating lawful changes of employer.

Implementing these reforms in the near term could help unlock up to US$78 million in private investment and create up to 14,400 more and better-paid jobs over the medium term.

The Path Ahead

The Kyrgyz Republic is at a pivotal stage in its economic transformation. Translating recent growth into sustained productivity gains, diversified exports, and more and better-paid jobs will require a stronger enabling environment for private investment. Across the four subsectors, common priorities include more secure and predictable land-use rights, stronger testing and certification systems, streamlined permitting with transparent requirements, and simpler compliance procedures that encourage formalization. Effective implementation will require clear institutional responsibilities, coordination across agencies and levels of government, and monitoring of reform progress and investor response.

Summary of Constraints and Recommendations

The recommendations in this report are not intended to address every constraint facing private investors. Rather, they prioritize investor-identified barriers that can be addressed through feasible near-term reforms with limited fiscal costs and reasonable prospects for government support.

Table ES.2

Nature-Based Tourism

	Constraints	Recommended actions	Responsible public sector entities
1	**Land-related legal uncertainty increases investment risks, particularly for tourism projects with long investment horizons.**	Amend Chapter 10 of the Land Code to establish clear legal safeguards for bona fide purchasers.	Cabinet of Ministers; Forest Service under the Ministry of Natural Resources, Ecology and Technical Supervision; Ministry of Emergency Situations; Jogorku Kenesh (Parliament); State Agency for Land Resources, Cadastre, Geodesy, and Cartography under the Cabinet of Ministers; Ministry of Economy and Commerce.
2	**Discretionary extension of land-use rights in state natural parks and termination of forest land-use rights undermine tenure security for tourism investments.**	a. Establish clear, rules-based procedures, binding timelines, and defined grounds for refusing land-use extensions, while allowing long-term leases from the outset where applicable requirements are met. b. Amend Article 32 of Government Resolution No. 192 to establish proportionate termination grounds, remediation safeguards, and compensation provisions for qualifying investments.	Ministry of Natural Resources, Ecology and Technical Supervision.
3	**Disproportionate construction and permitting requirements increase costs and approval timelines for small and medium tourism facilities.**	Introduce proportionate construction and permitting requirements based on facility size, permanence, and risk, while maintaining essential safety standards.	Ministry of Construction, Architecture and Housing and Communal Services.

(Table continues next page)

Table ES.2

Nature-Based Tourism *(continued)*

	Constraints	Recommended actions	Responsible public sector entities
4	**Fragmented permitting procedures and the absence of a unified public registry of requirements and approval timelines increase transaction costs and regulatory uncertainty.**	Establish a unified publicly accessible digital single window for tourism permits, specifying required documents, approval criteria, responsible authorities, and binding timelines.	Ministry of Economy and Commerce.
5	**Permitting timelines and validity periods are misaligned with tourism business operations.**	Extend operating permit validity and simplify renewals through multiyear approvals or notification-based renewal once compliance is verified.	Ministry of Economy and Commerce; Ministry of Construction, Architecture and Housing and Communal Services; State Registration Service; Ministry of Natural Resources, Ecology and Technical Supervision; Cabinet of Ministers.
6	**Border-zone permit requirements reduce itinerary flexibility and limit tourism activity in key nature-based destinations.**	Remove border-zone permit requirements where feasible or introduce a fully digital permit system with QR code authorization and processing times capped at 1–2 business days, while maintaining necessary security checks.	Ministry of Digital Development and Innovative Technologies; State Institution "Kyzmat" under the Presidential Affairs Management; State Border Guard Service.
7	**Limited air connectivity contributes to high airfares and constrains the development of higher-value tourism at scale.**	Review and, where necessary, revise bilateral air service agreements with priority tourism source markets. Remove unnecessary restrictions on airline designation, routes, frequencies, capacity, and traffic rights, and implement Open Skies policies on selected priority routes by removing regulatory and administrative barriers to the entry and expansion of foreign carriers.	Ministry of Transport and Communications; Cabinet of Ministers; State Civil Aviation Agency under the Cabinet of Ministers.

Table ES.3

Fruit and Berry Production and Processing

	Constraints	Recommended actions	Responsible public sector entities
	Land access and land use		
1	**Procedural uncertainty in land allocation and land-use decisions delays investment and undermines predictability.**	Standardize land allocation and land-use procedures through amendments to existing implementing resolutions under the Land Code. Establish binding decision deadlines, require written explanations for delays, and define next steps for overdue approvals. Simplify procedures and improve coordination with local authorities.	Cabinet of Ministers and Ministry of Water Resources, Agriculture and Processing Industry (MWRAPI), in coordination with the State Agency for Land Resources and local self-government bodies.
2	**Onerous land repurposing requirements limit investment in essential agricultural infrastructure.**	Introduce a simplified, predictable mechanism for repurposing land for essential agricultural infrastructure, including cold storage facilities, packhouses, logistics centers, irrigation reservoirs, and other water infrastructure. Clarify zoning and cadastral requirements and establish procedures proportionate to project scale.	Cabinet of Ministers and MWRAPI, in coordination with relevant sectoral ministries and local self-government bodies.
	Certification, standards, and input regulation		
3	**Insufficient accredited laboratory and conformity assessment capacity increases compliance costs and limits access to higher-value export markets.**	Establish clear accreditation procedures, adopt validated testing methods and quality management systems, ensure participation in proficiency testing programs, and align accreditation frameworks with international recognition arrangements to enable ISO/IEC 17025 accreditation for export-relevant testing. Prioritize multiresidue pesticide analysis, microbiological food safety testing, and phytosanitary diagnostics.	MWRAPI, National Accreditation Body, and Kyrgyzstandart.
4	**Lengthy and restrictive registration and approval procedures for agrochemicals, fertilizers, and biological inputs delay access to modern agricultural technologies.**	Introduce risk-based approval pathways for agrochemicals, fertilizers, and biological inputs registered under internationally recognized regulatory systems. Eliminate duplicative local testing requirements and clarify equivalence criteria in implementing regulations.	MWRAPI.
5	**Unclear and inconsistent value added tax (VAT) treatment of anti-hail nets, trellises, and drip irrigation systems increases investment costs.**	Establish a uniform list of goods for existing VAT exemptions when used in agricultural production, including anti-hail nets, trellis systems, and drip irrigation systems, and their components. Ensure consistent application of existing tax provisions without introducing new fiscal incentives.	State Tax Service.

(Table continues next page)

Table ES.3

Fruit and Berry Production and Processing *(continued)*

	Constraints	Recommended actions	Responsible public sector entities
	Postharvest and cold-chain infrastructure		
6	**Insufficient postharvest and cold-chain infrastructure undermines the bankability of downstream private investments.**	a. Designate cold-chain and agroprocessing infrastructure as a priority category within permitting and approval systems to enable coordinated review and faster administrative processing. b. Introduce simplified, proportionate, and time-bound permitting procedures for storage, cooling, and freezing facilities, with fewer approval steps and binding processing timelines. c. Clarify technical and sanitary requirements for small and medium cold storage and processing facilities to reduce compliance uncertainty and investment risk.	MWRAPI, in coordination with local self-government bodies and relevant technical regulators.
	Aggregation and cooperative governance		
7	**Weak safeguards for investment contributions in cooperative models discourage private capital.**	Amend the Law on Cooperatives and the model cooperative charter to introduce investor-member status and differentiated participation rights, including mechanisms to protect capital contributions.	MWRAPI, in coordination with the Ministry of Justice.

Table ES.4

Trout Aquaculture

	Constraints	Recommended actions	Responsible public sector entities
1	**Unclear environmental approval and environmental impact assessment (EIA) requirements create regulatory uncertainty for aquaculture investments.**	a. Amend Government Resolution No. 60 of 2015 on the procedure for evaluating environmental impact to establish aquaculture-specific EIA screening criteria based on production capacity, farm area, resource use, and environmental sensitivity. b. Amend Government Resolution No. 60 of 2015 to introduce simplified EIA procedures for low- and medium-risk aquaculture projects based on standardized checklists and environmental management plans.	Ministry of Natural Resources, Ecology and Technical Supervision; Department of Fisheries Industry Complex (DoFIC).
2	**Fragmented land and water-use regimes limit access to commercially viable aquaculture sites.**	Establish a coordinated aquaculture siting application process covering land access, water use, and related site approvals.	Cabinet of Ministers; MWRAPI.
3	**Weak import controls for fertilized trout eggs increase biosecurity risks.**	a. Adopt formal import risk analysis procedures for fertilized trout ova, consistent with World Organisation for Animal Health standards. b. Require imported fertilized trout ova to be transported directly from the border to a preapproved quarantine incubation unit, with distribution prohibited until the Veterinary and Phytosanitary Surveillance Service (VPSS) issues written clearance.	VPSS; Center for Veterinary Diagnostics and Expertise; DoFIC.
4	**Gaps in enforceable aquafeed quality standards and monitoring increase the risk of substandard feed entering the market.**	a. Establish aquafeed quality and safety standards based on the Codex Code of Practice on Good Animal Feeding. b. Implement a routine, risk-based national aquafeed sampling and testing program under the technical regulation on the safety of feed and feed additives.	VPSS; Center for Veterinary Medicines and Feed Additives; Center for Veterinary Diagnostics and Expertise.
5	**Weak aquaculture-specific controls on veterinary medicines and residue testing undermine export market access.**	a. Amend Cabinet Resolution No. 106 of 2025 and Order No. 201-ni of 2023 to establish aquaculture-specific controls on antibiotics and other veterinary medicines. b. Establish destination-specific trout export protocols based on existing export control requirements. c. Introduce mandatory preshipment residue testing for trout export consignments until consistent compliance is demonstrated, followed by risk-based sampling.	VPSS; Center for Veterinary Diagnostics and Expertise; Center for Veterinary Medicines and Feed Additives.
6	**Limited implementation of an interoperable aquaculture traceability system constrains aggregation and sourcing from smaller farms.**	Operationalize the fish traceability module within the national system and unified electronic fisheries register, including interoperable operator registration, lot identification, and standardized data requirements.	VPSS; DoFIC.

Table ES.5

Garment Manufacturing

	Constraints	Recommended actions	Responsible public sector entities
1	**Transit uncertainty along the Kazakhstan–Russian Federation corridor undermines delivery reliability and increases investment risks for export-oriented apparel firms.**	a. Expand electronic navigation seal (ENS) coverage to all garment products, including woven apparel (HS code 62). b. Implement a targeted ENS awareness and adoption program for the garment sector.	State Customs Service; Ministry of Economy and Commerce, including Kyrgyz Export; in coordination with State Customs Infrastructure and Kazakh counterparts.
2	**Inadequate domestic certification and testing services increase cost and lengthen certification timelines for textile and garment exporters.**	a. Upgrade a domestic textile laboratory to provide ISO/IEC 17025–accredited testing services for garment exports. b. Establish a digital one-stop conformity assessment system with transparent service standards.	Ministry of Economy and Commerce; Kyrgyzstandart.
3	**Unreliable digital labeling systems and burdensome procedures increase compliance costs and reduce export predictability for garment manufacturers.**	a. Establish mandatory service standards for the Teksher and Honest Mark platforms to improve reliability and responsiveness. b. Introduce simplified and bulk registration procedures for QR codes.	Ministry of Economy and Commerce; Alfa Telecom.
4	**The absence of clear procedures for consolidating air cargo shipments limits smaller exporters' access to time-sensitive markets.**	a. Amend APKR-20 to authorize freight forwarders and cargo agents to consolidate shipments from multiple exporters at Manas International Airport. b. Establish standard operating procedures for consolidated export cargo at Manas International Airport.	Civil Aviation Authority; State Customs Service; Manas International Airport.
5	**Labor regulations limit firms' ability to respond to short-term production peaks and export orders, constraining investment in garment manufacturing.**	Introduce simplified fixed-term employment contracts for temporary garment production linked to export orders and seasonal production peaks.	Ministry of Labor, Social Security and Migration.

(Table continues next page)

Table ES.5

Garment Manufacturing *(continued)*

	Constraints	Recommended actions	Responsible public sector entities
6	**Weak enforcement of employer-specific permit requirements and unauthorized employment of foreign workers create uncertainty for firms investing in recruitment and training.**	a. Amend Article 93 to explicitly prohibit employment of foreign workers without the necessary employer-specific authorization and establish penalties that deter noncompliance. b. Integrate employer and permit verification into the eVisa and work permit systems and introduce risk-based inspections to identify unauthorized employment while minimizing compliance costs for legitimate businesses. c. Establish a simplified notification or permit-transfer process for foreign workers changing employers, and require new employers to obtain the necessary authorization before employment begins.	Ministry of Foreign Affairs; Ministry of Internal Affairs; Ministry of Labor, Social Security and Migration.



1 Country Context and Business Environment

The Kyrgyz Republic has achieved sustained economic growth in recent years despite the structural constraints of a small domestic market, landlocked geography, and exposure to external shocks.

A lower-middle-income Central Asian country with a population of 7.3 million,[1] the Kyrgyz Republic grew by an average of 5.6 percent between 2016 and 2025.[2] Growth accelerated further to an average of 10.2 percent during 2022–25, while public debt declined from pandemic-era levels and international reserves strengthened (table 1.1).

Recent growth has been driven primarily by strong domestic demand, supported by household consumption, robust remittance and capital inflows, public spending, and construction.[3] Investment has also remained elevated, exceeding 40 percent of gross domestic product (GDP) since 2023 amid strong construction activity and increased public capital spending. However, this investment has translated only partially into broader

Table 1.1

Selected Economic Indicators

	2010–19 average	2020	2021	2022	2023	2024	2025
Population (millions)		6.7	6.9	7.0	7.1	7.2	7.3
GDP (US$ billions)	7.1	8.3	9.2	12.1	15.2	18.2	22.6
Real GDP growth (%)	4.1	−7.1	5.5	9.0	9.0	11.5	11.1
GDP per capita, PPP (constant 2021 international $)	5,511	5,538	5,736	6,140	6,576	7,211	7,878
Investment (% of GDP)	31.7	33.5	34.3	33.6	40.3	42.1	45.8
Inflation (%, period average)	5.4	6.3	11.9	13.9	10.8	5.0	8.2
Fiscal balance (% of GDP)	−2.4	−4.0	−0.3	−1.3	1.6	2.0	2.6
Public debt (% of GDP)	55.0	63.6	55.8	46.8	42.0	36.1	39.5
Current account balance (% of GDP)	−12.1	4.5	−8.0	−42.4	−44.9	−22.6	−24.9
Gross reserves (US$ billions)	2.0	2.8	3.0	2.8	3.2	5.1	8.6
Total reserves (in months of imports)	4.6	8.3	6.0	3.2	2.7	4.1	6.6
FDI, net inflows (% of GDP)	6.3	−7.0	6.1	4.2	1.0	3.2	3.0

Sources: Based on data from World Bank Macro Poverty Outlook and World Development Indicators databases.
Note: GDP = gross domestic product; PPP = purchasing power parity.

growth in productive and export-oriented private activity. Strong domestic demand has also been highly import-intensive, contributing to large merchandise trade deficits and exceptionally large recorded current account deficits.

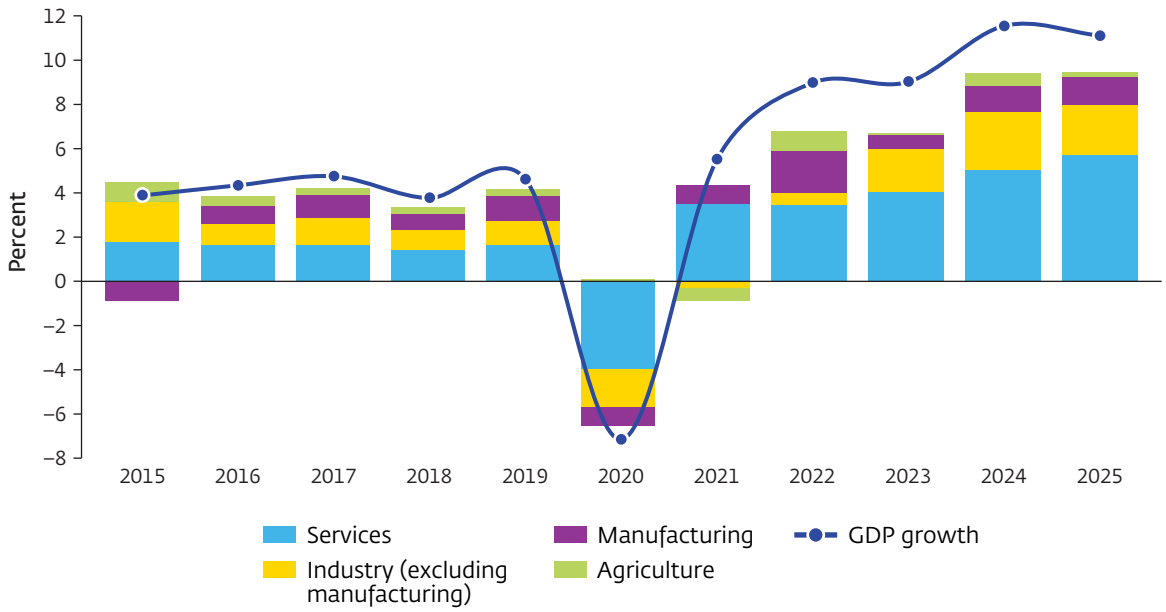
Dependence on remittances remains a central structural vulnerability. Remittances averaged approximately 27–30 percent of gross domestic product (GDP) over the past decade,[4] placing the Kyrgyz Republic among the world's most remittance-dependent economies. These inflows have provided an important buffer for household incomes and supported domestic demand, but they also expose the economy to economic and labor market conditions in migrant destination countries. The domestic economy has not generated sufficient productive employment to substantially reduce this dependence, reinforcing the need for more diversified sources of growth and better-paid jobs.

Structural transformation has progressed more slowly than headline growth. Over the past two decades, the composition of output and employment has shifted away from agriculture, but this reallocation has not generated sustained economy-wide productivity gains. Agriculture's share of employment declined from 23.2 percent in 2010 to 15.4 percent in 2025 (table 1.3), as workers moved primarily into services and, to a lesser extent, industry. Services now account for about half of GDP and have been the main driver of growth since 2016 (figure 1.1), supported by trade, transport, hospitality, and other consumer-facing activities. However, services value added per worker remained broadly stagnant before the pandemic, declined sharply in 2020, and recovered thereafter, only modestly exceeding its prepandemic level by 2023.[5] Much of services employment also remains concentrated in relatively low-productivity activities, including trade, transport, hotels, and restaurants.[6] Industry's contribution to GDP has changed little and remains supported by a relatively narrow base of light manufacturing. At the firm level, productivity increased between 2010 and 2022, but gains were driven predominantly by improvements within firms. Limited reallocation of labor and capital toward more productive firms, particularly in services, continued to constrain aggregate productivity growth.[7]

Trade flows have expanded sharply since 2022, but the domestic export base remains narrow and concentrated. Trade in goods and services reached 132 percent of GDP in 2023, partly reflecting increased reexport activity, while merchandise exports remained dominated by gold and other minerals, agricultural products, and a limited range of low-complexity manufactures (figure 1.2). Reexports, consisting largely of consumer goods imported from China and routed to the Russian Federation, have supported trade and logistics activity.[8] Because these flows largely involve the onward shipment of imported goods, domestic value added is concentrated in intermediation and related services, while the activity remains vulnerable to changes in regional trade rules and partner-country policies. The Russian Federation's tightening of the tax regime for imported vehicles in 2024 contributed to a slowdown in reexport trade, illustrating this vulnerability.[9] Services

Figure 1.1

Services Have Been the Largest Contributor to GDP Growth Since 2019

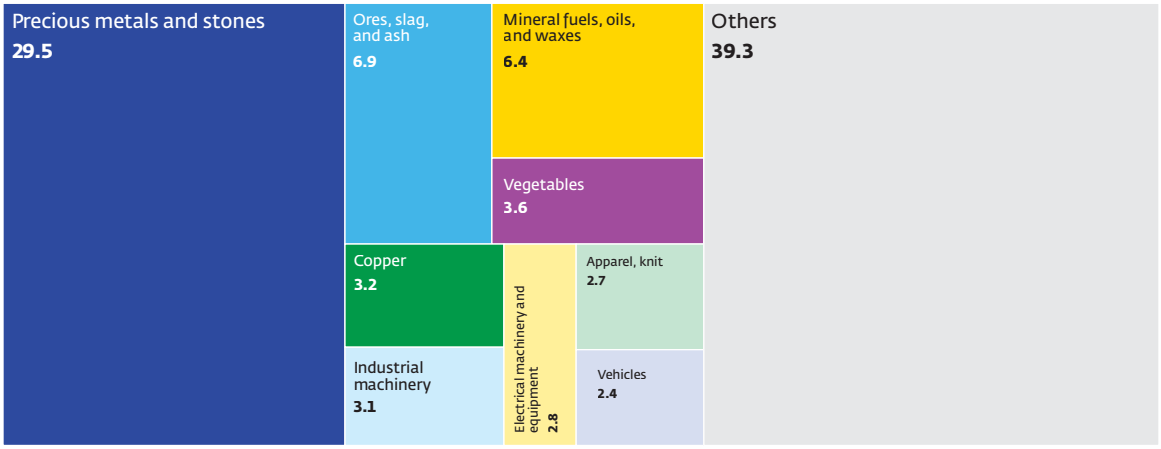


Source: Calculations based on data from WDI.
Note: GDP = gross domestic product.

Figure 1.2

Precious Metals and Stones Dominate Exports

Average annual exports, 2020–24



Source: Calculations based on data from UN Comtrade.

exports have also expanded, reaching an estimated US$3.4 billion in 2024, with travel and transport accounting for about half of the total.[10]

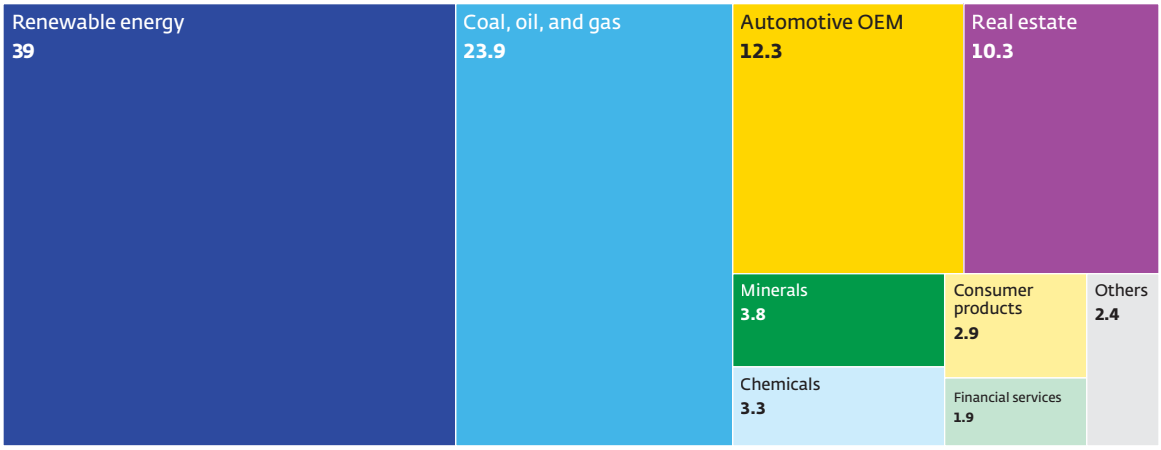
The economy has struggled to attract and retain investment beyond extractives, while linkages with the domestic economy remain limited. Greenfield foreign direct investment (FDI) announcements in renewable energy have increased since 2020, yet coal, oil, gas, and real estate continue to account for a large share of committed capital (figure 1.3). Spillovers through value chain integration, technology transfer, and skills development are modest, reflecting capability gaps among local firms, regulatory uncertainty, and weak contract enforcement. High-profile disputes, including the Kumtor gold mine case,[11] and the relatively high number of investor-state disputes associated with alleged breaches of investment agreements[12] have heightened perceptions of contractual risk. These concerns may also discourage deeper local sourcing, supplier development, and training commitments by foreign investors, limiting potential technology and skills spillovers to domestic firms.[13] Private participation in infrastructure remains modest, and the public-private partnership framework is still at an early stage of development.[14]

The financial system is heavily bank-dominated, with commercial banks accounting for more than 90 percent of total financial assets, while financial intermediation remains shallow and costly for private firms.[15] Domestic credit to the private sector, at 26.3 percent of GDP, is well below comparator levels (table 1.2). High borrowing costs,

Figure 1.3

Energy and Automotive Manufacturing Dominate Announced FDI

Cumulative announced FDI capital expenditure, by sector 2021–25 (%)



Source: Calculations based on data from Financial Times fDi Markets.
Note: FDI = foreign direct investment; OEM = original equipment manufacturer.

driven by inflationary pressures, shallow capital markets, and limited banking competition constrain access to finance. Smaller firms are particularly affected: according to the 2023 World Bank Enterprise Surveys, only 14 percent of small firms and 32 percent of medium firms report access to bank loans, while weak collateral enforcement further limits credit expansion. More broadly, the banking system provides limited long-term financing for productive investment, particularly for micro, small, and medium enterprises (MSMEs).[16]

Capital markets are still underdeveloped and are unable to fill the financing gap. The domestic bond market is shallow, sovereign issuance is concentrated at shorter maturities, and the absence of a benchmark yield curve limits corporate issuance.[17] Only 12 corporate bonds and 16 firms are listed on the main board, trading activity is limited, and the institutional investor base is small. The government's US$700 million debut international bond issuance in 2025, together with reforms such as the introduction of electronic listing applications, signals growing policy attention to capital market development. However, domestic markets are still too small and illiquid to provide meaningful long-term financing for most firms.

The domestic private sector is small, fragmented, and dominated by microenterprises, while medium-size enterprises are scarce.[18] From 2020 through

Table 1.2

Domestic Credit and Bank Credit Penetration Lag Regional and Income Peers

	Kyrgyz Republic	*ECA*	*LMICs*	*EMDEs*
Domestic credit to private sector (% of GDP)				
2024	26.3	59.8	36.4	40.5
Five-year average	26.0	64.5	37.4	42.5
10-year average	25.1	66.9	36.6	42.3
Bank credit penetration (% of GDP)				
2024	23.2	58.0	34.3	37.6
Five-year average	22.9	62.6	35.2	39.5
10-year average	22.6	65.1	34.6	39.3

Source: Calculations based on IMF (2026).
Note: ECA = Europe and Central Asia; EMDEs = emerging markets and developing economies; FDI = foreign direct investment; GDP = gross domestic product; LMICs = lower-middle-income countries.

2024, the country had fewer than 1,000 medium-size enterprises, representing about 0.1 percent of all business entities. Large enterprises are present but concentrated in mining, energy, banking, and communications. This "missing middle" constrains productivity because medium-size firms typically have the scale and capabilities to invest in technology, meet quality and export standards, and anchor supplier networks. In their absence, the economy is dominated by low-productivity microenterprises and a small number of large incumbents, weakening competition and limiting technology diffusion and productivity spillovers.[19] Although entrepreneurship is active, few firms grow into larger, formal enterprises capable of exporting, integrating into regional supply chains, or attracting investment. As a result, the private sector has struggled to generate sufficient productive jobs, contributing to high out-migration and continued dependence on remittances.

Informality both reflects and reinforces this fragmented firm structure. The informal economy employs approximately 1.75 million people, equivalent to about one-quarter of the population, and accounted for an estimated 19 percent of GDP in 2023.[20] An estimated 56 percent of workers are informally employed in their main jobs, with informal arrangements particularly common among microbusinesses, home-based workshops, and subcontractors.[21] Many firms operate informally because low productivity and profitability reduce the perceived benefits of formalization. In turn, informality can restrict access to formal contracts, finance, social protection, training, and larger markets, making firm expansion and productivity upgrading more difficult.

These challenges are compounded by fragmented compliance regimes. Overlapping tax and social insurance systems increase the fixed cost of formal employment for small firms, while uneven enforcement can disadvantage compliant businesses and weaken incentives to formalize. Labor regulations are also not fully adapted to subcontracting and home-based production models, which are important in sectors such as garment manufacturing.[22]

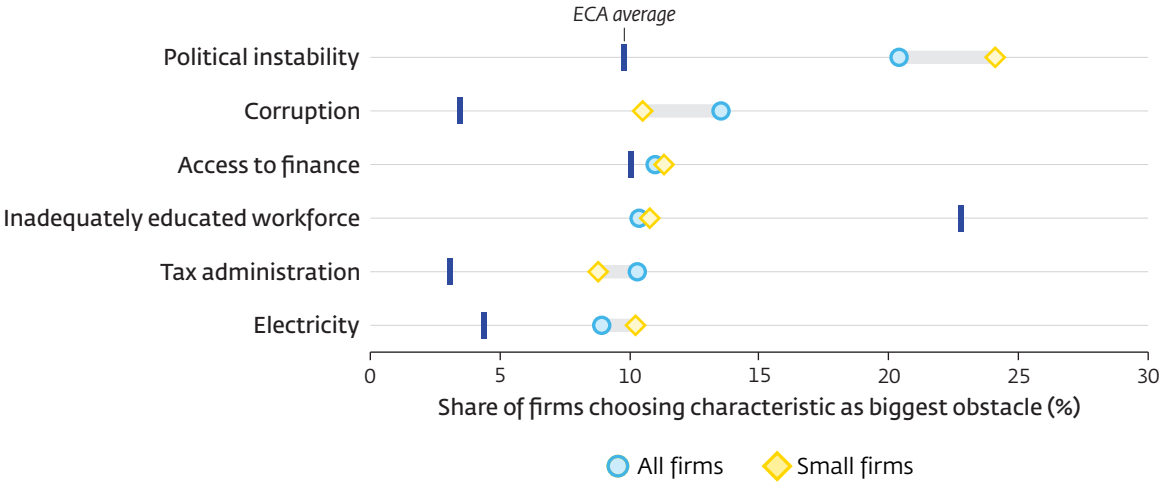
The business environment in the Kyrgyz Republic has long faced regulatory and institutional challenges, although recent reforms aim to improve investment conditions. According to the 2023 World Bank Enterprise Surveys, firms identified political instability, corruption, and access to finance as the top constraints to doing business, with a higher share of firms citing these constraints than the regional average (figure 1.4). Episodes of political instability, uneven regulatory enforcement, and administrative inconsistencies have contributed to policy uncertainty and higher transaction costs, particularly for smaller firms and those engaged in cross-border trade.[23] Recent reforms include the adoption of a new Investment Law in August 2025 to strengthen investor protections and the ongoing development of a digital one-stop shop to streamline investment facilitation and interactions with government agencies.[24] The effectiveness of these reforms in addressing longstanding constraints will depend on their implementation.

The state's large economic footprint also affects competition. State-owned enterprises (SOEs) account for approximately 27 percent of GDP and 7.7 percent of total employment, with significant presence in mining, energy, transport, telecommunications, finance, and freight services.[25] SOEs operate in both monopoly and competitive markets and often benefit from preferential access to credit, single-source procurement, and less stringent governance requirements than private firms. These conditions weaken competitive neutrality, discourage market entry, and constrain the expansion of private firms.

Gaps in the availability, reliability, and accessibility of market and sector data increase the cost and complexity of private investment. Investors often lack timely, granular, and reliable information needed to assess market size, demand trends, input availability, and regulatory risks. Although official statistics provide aggregate indicators, firm-level, subnational, and value chain data are still limited, inconsistently updated, or not publicly accessible, complicating due diligence and reducing market transparency. These constraints are particularly important in sectors such as tourism and agribusiness, where data on tourist spending, hotel occupancy, production volumes, and quality standards are often incomplete or fragmented. Business and sector surveys also frequently rely on telephone-based data collection, which can increase the risk of error, sampling bias, and inconsistencies in reporting, particularly in highly informal sectors. These data gaps raise transaction costs, weaken evidence-based investment decisions, and limit firms' ability to identify bankable opportunities and scale operations.

Figure 1.4

Firms Identify Political Instability, Corruption, and Access to Finance as Leading Business Constraints



Source: 2023 World Bank Enterprise Surveys.
Note: ECA = Europe and Central Asia.

Infrastructure and service delivery gaps undermine firms' access to reliable utilities and connectivity. Significant deficiencies in electricity, transport, water and sanitation, heating, and other municipal services reduce business reliability and raise operating costs.[26] Access to electricity is a particularly important constraint for smaller firms (figure 1.4), while unreliable and unsynchronized connections are frequently cited as barriers to agroprocessing and cold chain investment, increasing operational risk and limiting firms' ability to scale production. These constraints are more severe outside major urban centers, where piped water supply is less reliable, sewerage coverage is limited, and access to district heating and other utilities is uneven, reflecting years of underinvestment and weak service delivery capacity,[27] directly constraining tourism as well as other location-dependent sectors. Aging assets, frequent breakdowns, and inadequate road and rail networks further disrupt business operations, increase logistics costs, and reduce the predictability needed for firms to invest in fixed assets and expand production.[28] These gaps are compounded by limited fiscal space and fragmented systems for infrastructure planning, appraisal, and approval, which weaken project selection, delay implementation, and discourage private investment, including through public-private partnerships.[29]

Land access and land-use governance present an additional cross-cutting constraint. Commercial investors face fragmented and overlapping rules across agricultural, pasture, forest, water, and protected lands, each governed by separate approval processes and distinct institutional mandates.[30] These constraints are particularly important for tourism developments that depend on access to natural and protected areas. Although the country has made significant progress in cadastre and property registration, weak enforcement of property rights, inconsistent application of regulations, bureaucratic delays, and uneven institutional capacity reduce the security and usability of land as an investment asset.[31] Restrictions on ownership and the limited bankability of some land-use rights further weaken incentives for long-term investment. Together, these factors raise transaction costs, delay project implementation, and reduce investor confidence in sectors that depend on secure and predictable access to land.[32]

Despite a growing working-age population, labor's contribution to GDP growth has slowed, and employment creation has not kept pace with demographic change. The labor force participation rate stood at 61 percent in 2025, while female participation declined from 51 percent in 2010 to 44 percent in 2025.[33] Informality is widespread, with informal employment accounting for roughly 56 percent of total adult employment.[34] The education system also underperforms relative to international benchmarks, with students achieving only 8.7 learning-adjusted years of schooling (table 1.3).

Shortages of sector-specific technical skills discourage private investment and upgrading. In aquaculture, limited expertise in aquatic animal disease management and farm biosecurity increases production risks and weakens export readiness. In tourism,

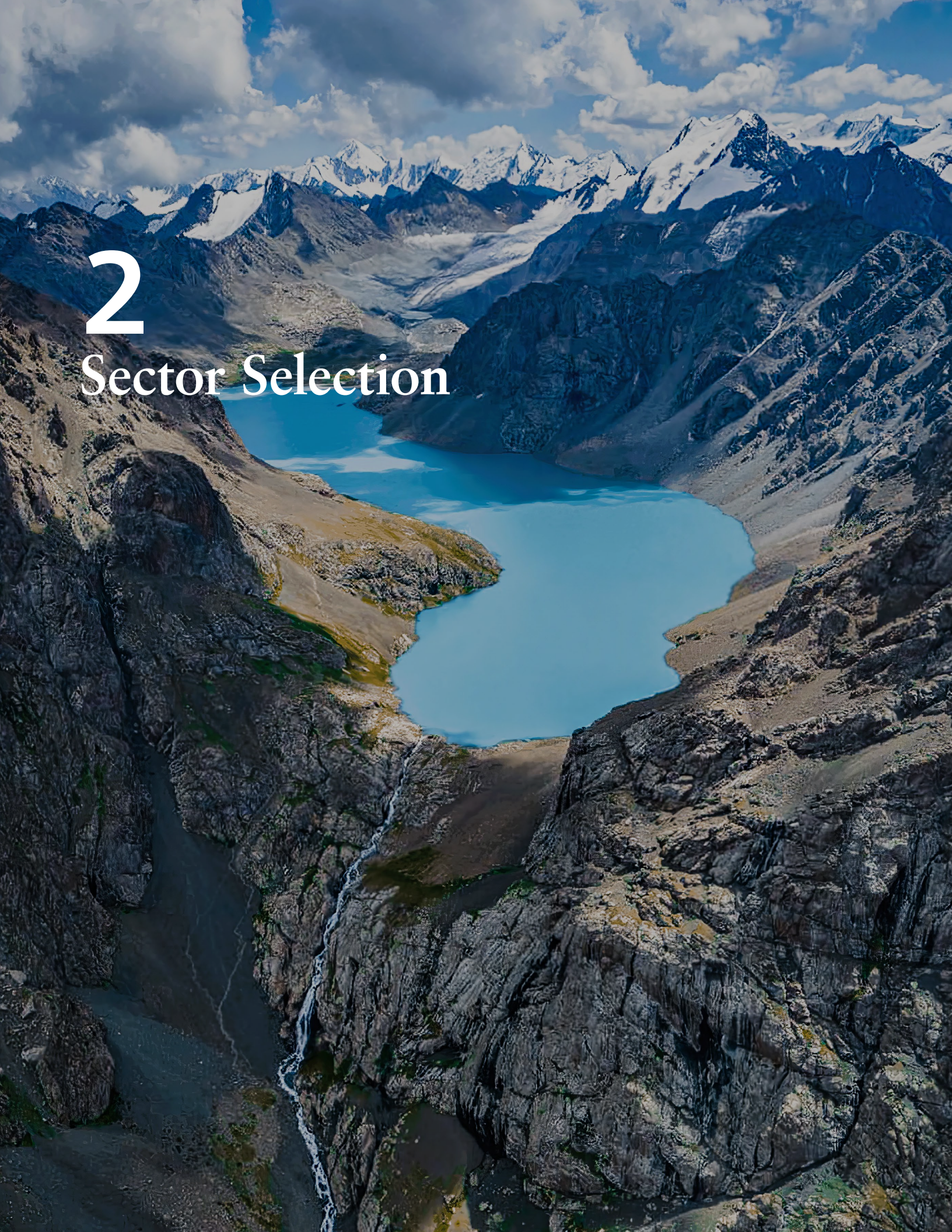
Table 1.3

Labor Market and Human Capital Indicators

	Kyrgyz Republic	ECA	LMICs	Regional and structural comparators*	Aspirational comparators*
Labor force supply					
Population ages 15–64 (% of total population)	62.1	64.3	64.5	61.1	67.6
Labor force participation rate (% of population ages 15–64)	61.1	72.8	61.8	70.8	72.3
Learning-adjusted years of school	8.7	10.0	6.3	6.9	9.8
School enrollment, tertiary (% gross)	54.0	85.0	27.0	35.0	60.8
Labor market conditions					
Unemployment, total (% of total labor force)	3.5	5.4	4.3	4.8	4.5
Share of firms identifying an inadequately educated workforce as a major or very severe constraint (%)	23.2	26.5	15.3	14.4	15.9
Employment by sector (% of total employment)					
Industry	26.8	23.7	22.9	17.0	27.4
Agriculture	15.4	6.7	38.4	40.7	15.5
Services	57.7	69.7	38.7	42.4	57.1

Sources: Approach follows that used in the World Bank Group Growth and Jobs Reports and includes data from World Development Indicators; International Labor Organization, modeled figures for 2025, sectoral employment from 2025; Human Capital Index; UNESCO, latest available results, Kyrgyz Republic from 2025; Enterprise Surveys, latest available results, Kyrgyz Republic from 2023.
Note: ECA = Europe and Central Asia; LMICs = lower-middle-income countries. Learning-adjusted years of school adjusts school years for how much students learn for each year they are in school.
*For the list of comparators, see World Bank (2025).

shortages of trained and certified workers in guiding, hospitality, and safety-related occupations constrain service quality and the development of higher-value tourism products. In horticulture, shortages of agronomists, technologists, and postharvest specialists limit technology adoption, quality consistency, and compliance with export market requirements. In garment manufacturing, weak alignment between training systems and industry needs, combined with shortages of mechanics and workers with technical and digital skills, raises training costs and constrains technology adoption and upgrading. Together, these skills gaps weaken firm capabilities, slow productivity growth, and limit the private sector's ability to move into more sophisticated and higher-value activities.



2
Sector Selection

The Country Private Sector Diagnostic (CPSD) identifies subsectors with the potential to attract private investment and generate development impact, including job creation, if key policy constraints can be addressed in the near term.

It focuses on commercially viable subsectors where private investors have identified specific constraints that discourage investment. The analysis results in a prioritized set of concrete policy recommendations for near-term implementation, with the potential to increase private investment and support the creation of more and better-paid jobs in the medium term.

Sector selection followed a rigorous process combining desk research, data analysis, consultations with World Bank Group experts, and in-country stakeholder consultations. The following criteria were applied:

1. Potential to attract significant private capital if key constraints are addressed.
2. Potential development impact, with particular focus on creating more and better-paid jobs.
3. Feasibility of addressing key constraints through government action in the near term.

The CPSD applies a standardized methodology to rank subsectors according to their potential to attract private investment and generate development impact. Quantitative indicators include measures of comparative advantage, global demand, export gaps, value-added potential, employment potential, and proximity to existing production. This analysis is complemented by qualitative assessment and consultations with sector and industry specialists.

This CPSD focuses on sectors where the Kyrgyz Republic combines strong market fundamentals, private investment potential, and realistic scope for near-term policy action to unlock investment and job creation over the medium term. Drawing on data analysis, investor perspectives, and stakeholder consultations, the diagnostic identifies four sectors where constraints to private investment are well identified, reform traction is credible within the next 24 months, and reforms could generate positive spillovers for jobs, productivity, and exports (table 2.1): (1) nature-based tourism, (2) fruit and berry production and processing, (3) trout aquaculture, and (4) garment manufacturing.

Table 2.1

Assessment of Sector Potential

Subsector	Investment potential	Contribution to job creation	Contribution to other development objectives
Nature-based tourism	HIGH	MEDIUM/HIGH	HIGH
Fruit and berry production and processing	HIGH	MEDIUM/HIGH	HIGH
Trout aquaculture	MEDIUM/HIGH	MEDIUM	MEDIUM
Garment manufacturing	MEDIUM/HIGH	HIGH	MEDIUM/HIGH

2.1 Nature-Based Tourism

Tourism in the Kyrgyz Republic offers commercially viable opportunities for private investment in higher-value nature- and adventure-based tourism, destination services, and year-round accommodation. The country's mountain landscapes, lakes, glaciers, and cultural heritage, combined with global demand for experiential, sustainable, and low-density travel, underpin the sector's medium-term potential. Tourism has recovered strongly since the pandemic, with gross output and receipts surpassing prepandemic levels, but the visitor mix is still dominated by short-stay, lower-spending regional travel. This points to scope for upgrading to higher-spending international leisure tourism. The strongest private investment opportunities are downstream, particularly in small- and medium-scale accommodation, including ecolodges, upgraded yurt camps, and boutique hotels; destination services; guiding and activity providers; and integrated tourism products that extend stays, reduce seasonality, and capture more value locally.

Private investment, however, is constrained by regulatory uncertainty, weaknesses in land-use governance, infrastructure gaps, and skills shortages that increase investor risk and limit project bankability, particularly in high-potential but remote destinations. Discretionary land-use regimes governing pasture, forest, and protected lands weaken tenure security for site-specific tourism investments, while fragmented and lengthy permitting procedures raise costs and delay implementation. Weak destination

infrastructure, including unreliable electricity, limited water and sanitation services, inadequate waste management, and poor road access, increases operating costs and constrains year-round operations. Limited air connectivity restricts access from higher-spending markets, while shortages of certified workers in guiding, hospitality, and safety-critical occupations weaken service quality and constrain the development of higher-value products. Together, these factors reinforce a low-value, seasonal tourism model, deter larger-scale private investment in accommodation and destination services, and limit the sector's ability to leverage its natural assets for regional development, export diversification, and private sector–led job creation.

2.2 Fruit and Berry Production and Processing

With the right reforms, the fruit and berry sector in the Kyrgyz Republic offers commercially viable opportunities for private investment in export-oriented production, postharvest handling, and processing. Favorable agroclimatic conditions, a long tradition of producing apples, apricots, cherries, and berries, and growing demand in neighboring Eurasian Economic Union (EAEU) markets underpin the sector's medium-term potential. Expansion in planted areas, particularly for berries and intensive orchards, together with rising export volumes, indicates increasing commercial integration with regional markets, while significant untapped export potential remains in both fresh and processed products. Investment potential spans production and downstream segments, with particularly important potential in cold storage, aggregation, processing (drying, freezing, juices, and concentrates), and logistics, which can convert existing production into higher-value, storable, and tradable outputs.

Private investment, however, is constrained by regulatory, financial, and institutional weaknesses that increase risk and lengthen payback periods, particularly for capital-intensive projects. Fragmented production structures and weak aggregation limit scale, quality standardization, and reliable supply to organized buyers. These challenges are compounded by uncertainty in land access and land use; limited certification and laboratory capacity for export markets, restricted access to long-term finance because land and orchard assets are difficult to use as collateral; and gaps in postharvest, cold chain, and energy infrastructure. Regulatory barriers affecting access to high-quality inputs, unclear tax treatment of intensive orchard infrastructure, rigid seasonal labor rules, and skills shortages further reduce operational predictability. Together, these constraints reinforce low-value spot-market sales and deter investment in orchards, storage, processing, and export logistics, limiting the sector's ability to scale into higher-value, export-oriented value chains.

2.3 Trout Aquaculture

Trout aquaculture was selected for this CPSD because of its strong private investment potential, favorable regional demand, and scope for near-term regulatory reforms to support scale and export growth. The Kyrgyz Republic has clear natural advantages for cold-water trout production, including high-altitude lakes, abundant freshwater resources, and hydropower reservoirs suitable for cage and pond systems. Production has expanded rapidly in recent years, and trout has become the dominant aquaculture species, although output is still well below estimated sustainable potential. As an EAEU member, the country benefits from tariff-free access to regional markets, where demand for trout has grown rapidly, particularly in Kazakhstan and the Russian Federation. With targeted reforms, the sector could expand beyond live and chilled fish into processed and certified trout products that capture greater value and diversify agrifood exports.

Private investment, however, is constrained by regulatory uncertainty, weak aquatic animal health and input controls, and downstream gaps in food safety, certification, and traceability that increase production and market access risks. Investors face unclear environmental impact assessment procedures, fragmented land and water access arrangements, and weak aquatic animal health governance, including limited controls over imported ova, aquafeed quality, and veterinary therapeutant use. These upstream weaknesses are compounded by unreliable residue testing, bottlenecks in export certification, and incomplete implementation of an interoperable traceability system, limiting aggregation from smaller farms and discouraging investment in processing. Addressing these constraints could reduce production volatility, strengthen export credibility, and enable sector expansion.

Trout aquaculture also offers significant development potential through job creation in farming, processing, logistics, and input supply, while supporting rural livelihoods and the formalization of small and medium enterprises (SMEs). Successful reforms could also generate broader benefits for the agrifood sector by demonstrating how coordinated land permitting and site approvals, enforceable input standards, reliable testing and export certification, and interoperable traceability can reduce investment risks, strengthen value chain integration, and improve access to higher-value markets. Because several proposed reforms would benefit aquaculture more broadly, they could also support increased production of affordable farmed fish for domestic consumption, contributing to nutrition and food security alongside higher-value agrifood exports.

2.4 Garment Manufacturing

With targeted reforms and appropriate policy positioning, the garment manufacturing sector in the Kyrgyz Republic offers commercially viable opportunities for private investment in flexible, export-oriented garment production, design services, and logistics-enabled trade. The sector combines a large entrepreneurial base of SMEs, rapid design-to-market capabilities, and preferential access to EAEU markets, allowing firms to compete through speed, adaptability, and small-batch production rather than scale. Rising regional demand for fast fashion, e-commerce retail, and niche segments such as modest and design-driven apparel reinforces the sector's medium-term growth potential without requiring capital-intensive upstream textile integration. Existing specialization in downstream garment manufacturing, particularly cut-make-trim production, creates investment opportunities in sewing, finishing, branding, digital sales channels, and certification services. Strong demand from the Russian Federation and growing demand in nearby markets such as Kazakhstan, together with potential niche opportunities in higher-value reexport hubs such as the United Arab Emirates, could support further private investment.

Private investment, however, is constrained by logistics, regulatory, skills, and institutional weaknesses, together with high levels of informality that raise costs, increase operational uncertainty, and limit firm upgrading. Export competitiveness is undermined by unpredictable transit along the Kazakhstan corridor and heavy reliance on road transport. Limited domestic certification capacity and unclear compliance pathways further increase costs for smaller firms and discourage investment in higher-value export production. Skills shortages also constrain productivity growth and technology adoption. Training systems are poorly aligned with modern machinery and digital production processes, managerial and commercial capabilities among SMEs are limited, and uncertainty over visa policies for skilled migrant technicians reduces workforce stability in occupations critical to upgrading. Persistent information gaps and low confidence in regulatory systems also slow formalization despite existing incentives, leaving many firms outside formal value chains and limiting access to finance, large export contracts, and compliance-driven markets. Together, these constraints reinforce a low-value production model and limit the sector's ability to build on its comparative advantage in flexible, fast-response garment manufacturing and attract larger-scale private investment.

3
Nature-Based Tourism



AT A GLANCE

- The Kyrgyz Republic has significant untapped potential for private investment in nature-based tourism, supported by its natural and cultural assets and growing global demand for adventure, ecotourism, and experience-based travel.
- The sharp rebound in tourism foreign investment signals renewed investor interest, but investment is constrained by insecure land tenure, discretionary land allocation in protected areas, fragmented permitting, limited air connectivity, border-zone restrictions, and weaknesses in destination planning, institutional coordination, skills, data, and digitalization.
- Priority reforms include strengthening land tenure security, streamlining permitting, improving air connectivity, reducing travel costs, and enhancing institutional coordination to lower investment risks and transaction costs.
- Over the medium term, these reforms could catalyze up to US$220 million in private investment and generate up to 20,800 more and better-paid jobs, supporting higher-quality accommodation, year-round tourism products, regional development, and economic diversification.

3.1 Sector Context and Investment Potential

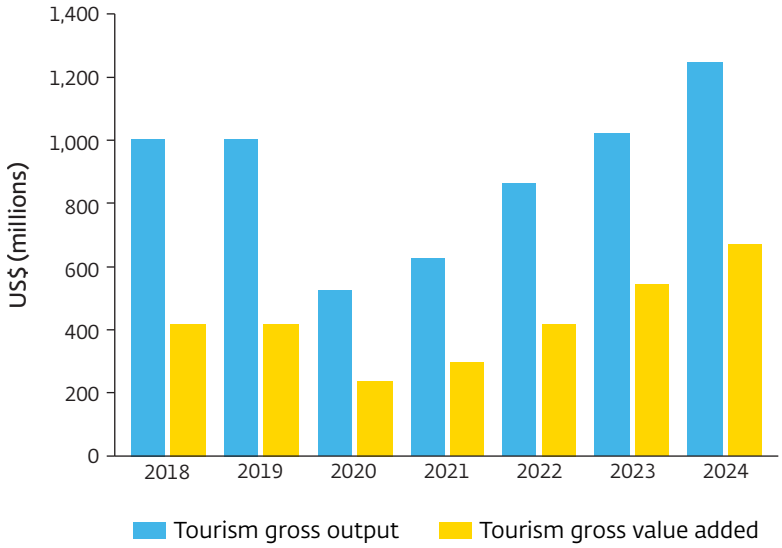
The Kyrgyz Republic's comparative advantage in tourism is rooted in its natural landscapes and cultural heritage, which offer opportunities for private investment in nature- and adventure-based tourism. The country is predominantly mountainous, with mountains covering 94 percent of its territory, including the Tian Shan and Pamir-Alay ranges. Its varied climatic zones support diverse, multiseason nature-based tourism products. Natural endowments, including high-altitude lakes, rivers, glaciers, and mountain ecosystems, are complemented by nomadic traditions and Silk Road cultural heritage, supporting differentiated offerings such as yurt camps, ecolodges, glamping, trekking, wildlife viewing, gastronomy, handicrafts, and community-based tourism. These offerings appeal to higher-spending, experience-oriented travelers and can support local economic activity, making the sector attractive to private investors pursuing small-scale tourism models that emphasize fewer visitors and higher-value experiences. Realizing this potential, including extending tourism beyond peak seasons, will require targeted sector reforms and investment.

Tourism in the Kyrgyz Republic has recovered strongly since the pandemic, reinforcing the sector's investment potential. Tourism gross output was stable at around US$1.0 billion in 2018 and 2019 before contracting sharply as global travel collapsed. The sector rebounded rapidly, surpassing prepandemic levels by 2023 and reaching approximately US$1.25 billion in gross output in 2024, more than twice its 2020 level. Gross value added (GVA) also recovered, increasing from US$239 million in 2020 to about US$668 million in 2024 (figure 3.1), reflecting the return of visitor volumes and expansion of sector activity. International tourism receipts followed a similar trajectory, exceeding US$1 billion in 2024, underscoring strong external demand and rising number of border crossings (figure 3.2). Growth continued in 2025, with tourism generating more than US$847 million in GVA, equivalent to 3.8 percent of gross domestic product (GDP), up from 3.6 percent in 2024 and 3.2 percent in 2021.[35] However, tourism's share of GDP was still below its prepandemic level of 5.0 percent in 2018 and 2019.

Global tourism trends are increasingly aligned with the Kyrgyz Republic's strengths. International travelers are showing growing interest in authentic, sustainable, and nature-based experiences, creating market opportunities for destinations offering alternatives to standardized, mass-market tourism. The global adventure tourism market has recovered strongly since the pandemic, with operators serving significantly more guests in 2023 than before COVID-19 and total outbound adventure travel estimated at US$966 billion.[36] At the same time, the growth in the "aspiring luxury" traveler segment, which prioritizes privacy, remote natural settings, wellness, and authentic experiences, is expanding demand for high-quality, low-density destinations.[37] Sustainability is also becoming increasingly important for competitiveness, particularly in adventure tourism, which relies heavily on

Figure 3.1

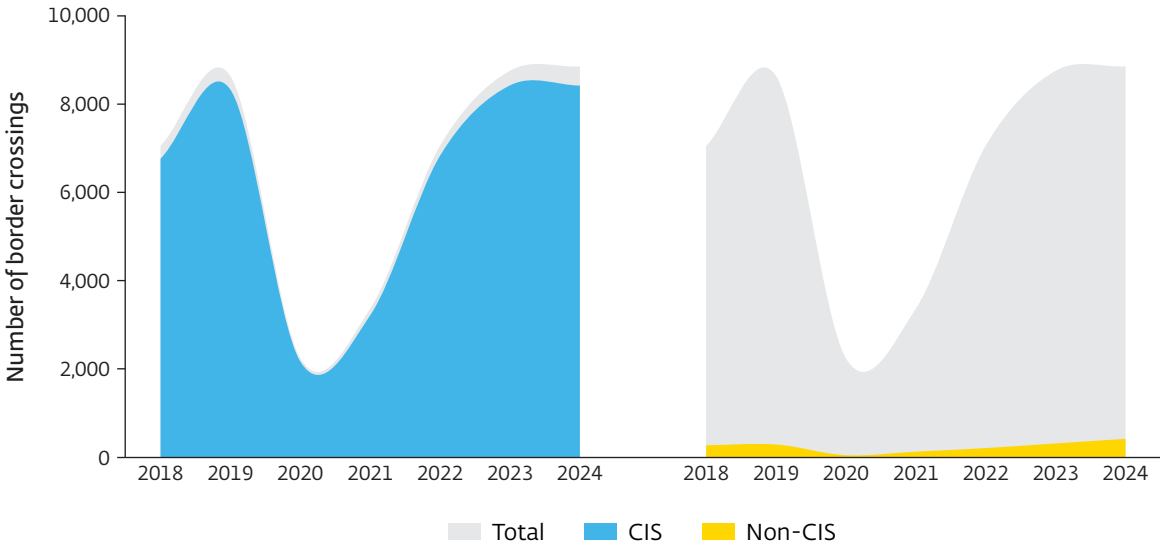
Tourism Gross Output and Value Added Have Recovered Strongly Since 2020



Source: Calculations based on data from the NSC KR.

Figure 3.2

Non-CIS Arrivals Increased, but CIS Visitors Continued to Dominate



Source: Calculations based on data from the NSC KR.
Note: CIS = Commonwealth of Independent States.

local suppliers. An estimated three-quarters of adventure travel spending accrues to local suppliers, supporting local economic activity and reinforcing the importance of sustainable practices for competitiveness and investment attractiveness.[38] These trends present opportunities for location-specific, high-value tourism investment in the Kyrgyz Republic.

The Kyrgyz Republic's main tourism destinations are well positioned to support differentiated, location-specific tourism products. These include Bishkek, the Osh region, Issyk-Kul, Karakol, Jyrgalan, and high-mountain lake areas including Song-Kul. Investment opportunities across these destinations include high-end yurt camps, boutique ecolodges, and nature-based retreats that combine comfort with cultural and environmental immersion. Bishkek and Osh serve as major air gateways, while remote destinations such as Issyk-Kul, Karakol, and Jyrgalan are accessible by short overland transfers. These lower-volume tourism models are estimated to retain a larger share of revenues locally (around 65 percent, compared with 14 percent for mass tourism),[39] generate more jobs per dollar earned, and attract higher-spending travelers who may resume travel more quickly following downturns.[40] The emerging four-season tourism and winter sports development in the Ala-Too Mountain cluster illustrates this potential (box 3.1).

Box 3.1

Ala-Too Ski Cluster and All-Season Tourism in the Kyrgyz Republic

A major opportunity to reduce seasonality and support year-round tourism in the Kyrgyz Republic is the planned development of the Jyrgalan resort within the broader Ala-Too ski cluster. The first phase of the project is expected to deliver around 120 kilometers of ski slopes as part of an integrated mountain resort system that would ultimately span approximately 250 kilometers across Jyrgalan, Ak-Bulak, and Boz-Uchuk.

The initiative is estimated to involve about US$1.25 billion in total investment, including approximately US$660 million in expected private investment, supporting the development of high-end and midrange hotels, glamping facilities, and mixed-use tourism infrastructure. Several land plots designated for accommodation have already been auctioned, indicating early private sector engagement.

Beyond the resorts, the Ala-Too cluster could act as an anchor investment, potentially attracting additional private investment in tourism and related activities. Higher visitor volumes and greater destination visibility could increase demand for hospitality, transport, food services, recreation, cultural attractions, and local products, creating new market opportunities for small and medium enterprises and entrepreneurs in neighboring communities. By strengthening linkages between the resorts and surrounding destinations, the development could help deepen regional tourism value chains, increase share of tourism spending retained locally, and extend the economic benefits of tourism beyond the primary investment sites.

Tourism demand in the Kyrgyz Republic is expanding, but it is concentrated in lower-spending regional segments. Total arrivals more than doubled, from 4.3 million in 2019 to 8.8 million in 2024. During this period, around 90 percent of visitors came from two neighboring countries, Kazakhstan and Uzbekistan. Much of this travel was associated with cross-border shopping, transit, and visits to friends and relatives, which generally involve short stays and limited spending on formal tourism services.[41] Growth continued in 2025, with border crossings by foreign citizens reaching 10.5 million.[42] Uzbekistan and Kazakhstan remained the dominant markets, accounting for 62.5 percent and 25 percent of the total, respectively. As a result, rapid growth in arrivals may overstate revenue performance per visitor. International arrivals by air reached approximately 568,000 in 2024, providing a closer, though still imperfect, proxy for demand from higher-spending international markets. Yet the Kyrgyz Republic's natural and cultural assets, including mountain landscapes, lakes, and nomadic heritage, are well aligned with higher-value, export-oriented leisure tourism. Experience from comparable nature-based destinations, such as Georgia and Nepal, suggests that developing this market requires sustained improvements in air connectivity, destination visibility, and the diversification of tourism offerings. The Kyrgyz Republic is still at an earlier stage of this transition.

Demand patterns underscore the importance of international visitors to higher-value tourism. Although visitors from markets outside the Commonwealth of Independent States, including China, the European Union, the United Kingdom, and the United States, account for less than 5 percent of total arrivals, they generally spend more per visitor, reflecting longer stays and greater use of paid accommodation and formal tourism services.[43] In 2023, leisure travel accounted for 60.3 percent of domestic tourism spending, while international visitors generated 73.3 percent of total tourism expenditure, highlighting the importance of international tourism to sector revenues. Looking ahead, domestic tourism is projected to grow faster during 2024–34, supported by rising internal mobility, expanding regional accommodation, and the continued prominence of Issyk-Kul as a tourism destination. This growth could complement international travel, provide a more stable demand base, reduce exposure to external shocks, and help moderate seasonality if travel is distributed more evenly throughout the year.

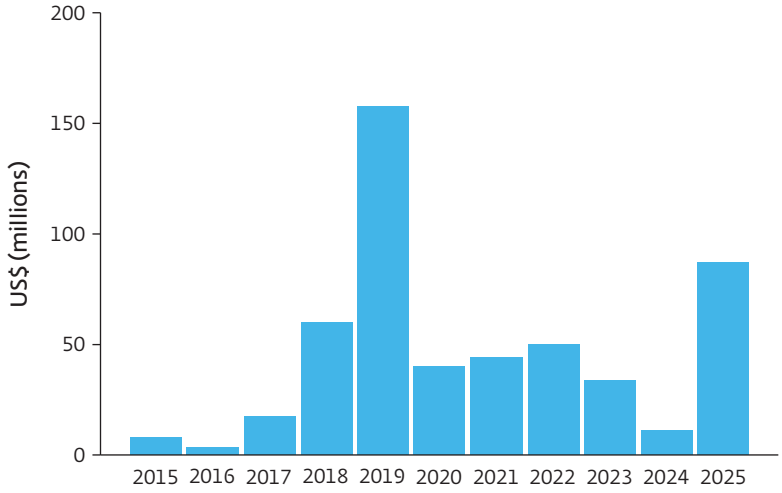
Competition for tourists within Central Asia is intensifying, and the Kyrgyz Republic will need to strengthen its competitiveness to translate favorable demand trends into commercially viable private investment. Global shifts toward less-visited destinations and growing regional and Asian source markets provide opportunities for tourism growth. However, neighboring countries, particularly Kazakhstan and Uzbekistan, have strengthened their investment appeal through improved connectivity, upgraded destination infrastructure, and expanded tourism offerings. Kazakhstan has expanded air connectivity through Almaty and Shymkent and developed priority resort zones such as Shchuchinsk-Borovoye, while Uzbekistan has modernized Samarkand Airport

and expanded rail connectivity linking Tashkent, Samarkand, Bukhara, and Khiva. Both countries ranked substantially higher than the Kyrgyz Republic on the World Economic Forum's (WEF) 2026 Travel and Tourism Development Index (52nd and 78th, respectively, compared with 102nd out of 110 economies), reflecting stronger enabling conditions for tourism development. Regional benchmarking points to weaknesses in the Kyrgyz Republic's air connectivity, tourism infrastructure, and service readiness, despite its natural assets and price competitiveness. These gaps raise costs and limit the commercial viability of private tourism investments. Bridging the gap between travelers' expectations, particularly for digital access, service quality, and sustainability, and existing tourism offerings, will be critical to strengthening the sector's competitiveness and attracting investment in higher-value segments.

Foreign direct investment (FDI) in tourism rebounded sharply in 2025 after declining between 2022 and 2024, despite the recovery in visitor numbers and tourism exports. Tourism FDI exceeded US$87 million in 2025, around 7.8 times its 2024 level, while the sector's share of total FDI increased from 1.1 percent to 6.7 percent (figure 3.3). The increase coincided with expanding tourism activity and signals renewed investor interest in the sector. Sustaining this investment momentum will depend on continued tourism demand and a more enabling environment for private investment.

Figure 3.3

Tourism FDI Rebounded Sharply in 2025 after Declining in 2022–24



Source: Calculations based on data from the NSC KR.
Note: FDI = foreign direct investment.

Limited and concentrated air transport connectivity constrains demand for higher-value tourism products. Limited air transport connections restrict the Kyrgyz Republic's ability to attract longer-stay, higher-spending visitors. According to UN Tourism, the International Civil Aviation Organization, and the WEF, stronger and denser air connectivity is closely associated with longer stays and higher visitor spending, while limited and seasonal route networks constrain long-haul tourism, particularly in landlocked and remote destinations.[44] Access to the Kyrgyz Republic's tourism destinations is concentrated in a small number of air gateways. For example, Issyk-Kul International Airport is served by nonstop flights from only three international destinations, mostly on seasonal and low-frequency routes, limiting direct access to nature-based tourism areas outside Bishkek. International air arrivals account for only a small share of total border crossings, reflecting limited access to higher-spending, long-haul markets. Although international air arrivals increased sharply from 67,900 in 2020 to 567,500 in 2024, they declined by around 21 percent in 2024 compared with 2023. However, the removal of Kyrgyz airlines from the EU Air Safety List, reflecting improvements in aviation safety oversight and regulatory capacity, represents a positive development that could support greater international connectivity over time.[45] By comparison, Kazakhstan and Uzbekistan have denser air networks and more frequent services, supporting demand aggregation, longer tourism seasons, and larger-scale investment.

Weaknesses in basic infrastructure and destination planning constrain tourism investment. Many destinations with strong tourism potential, based on distinctive natural and cultural assets and emerging market demand, face unreliable electricity, limited water and sanitation services, inadequate waste management, and poor road access. These deficiencies constrain year-round operations and raise operating costs. Weak destination planning and the absence of approved master plans for key tourism areas and protected areas further increase uncertainty over zoning, development parameters, and neighboring land uses, discouraging coordinated, higher-value private investment. Addressing these infrastructure constraints will require significant public investment, dedicated planning, and longer implementation periods.[46]

Limited access to long-term and affordable finance compounds these constraints. Although this challenge affects the broader economy, it is particularly acute in tourism because of long investment horizons, high upfront costs, seasonal cash flows, and location-specific risks, especially for small and medium-scale projects in remote areas. Short land lease terms, in some cases as short as five years and extendable to 10–20 years depending on land use, can create uncertainty over long-term land-use rights and limit the use of leasehold interests as collateral, particularly compared with countries such as Georgia and Kazakhstan, where land-use rights may be more secure or predictable.[47] Commercial banks often require high collateral and offer short loan tenors that are poorly aligned with tourism investments, which typically have long payback periods, estimated at 10–15 years

for some projects. Seasonal cash flows and high interest rates further discourage capital-intensive investments, such as accommodation facilities, destination infrastructure, and heritage site development. As a result, potentially viable projects may be delayed, scaled back, or financed primarily through retained earnings.

Land tenure insecurity and discretionary land-use regimes governing state, protected, forest, and pasturelands increase legal uncertainty and deter tourism investment. Investors face risks of having their land rights challenged or revoked because of legacy issues, including past procedural errors or unlawful decisions. Where legal protections for bona fide purchasers are weak, disputes linked to historical noncompliance can affect current investors. This risk is evident in hospitality and resort investments in the Kyrgyz Republic, including hotel and tourism projects in Bishkek and Issyk-Kul that have faced land seizures, expropriation, and prolonged litigation or arbitration despite formal registration, reflecting weaknesses in the effective protection for bona fide purchasers.[48]

In state nature parks, forestlands, and pasturelands, lease extensions and terminations can be subject to administrative discretion, with limited clarity on criteria, timelines, and grounds for refusal, undermining predictability for long-term investments. Access to pastureland for uses other than grazing, including nature- and adventure-based tourism,[49] can also be uncertain because approvals depend on decisions by local assemblies ("meetings") of residents or pasture-users. These assemblies determine land allocations and the types and seasons of permitted use, often without clear decision rules or timelines. In the absence of a tourism-specific land allocation framework, investment projects can face lengthy, complex, and uncertain procedures under general land-use, environmental, and construction regulations, sometimes resulting in delays or blockages, as documented in regional tourism strategies (for example, the Osh Region Sustainable Tourism Development Strategy, 2023).

Regulatory and permitting constraints, particularly those related to land use, construction and operational approvals, increase costs and discourage small-scale and seasonal tourism investments. Investors face fragmented procedures, with no unified public registry of required documents, decision criteria, or legally binding timelines. As a result, they must engage with multiple agencies and make repeated in-person visits to district offices and central ministries across different jurisdictions. These conditions lengthen approval timelines and increase compliance costs. In Issyk-Kul, the annually renewed "Tourism Passport" can take several months to obtain despite being valid for only one year, creating recurring operational uncertainty. These burdens are compounded by regulatory changes in specially protected natural areas (SPNAs), where access rules and entry fees have been revised at least three times since 2023 through cabinet resolutions, legislative amendments, and ministerial orders, sometimes shortly before peak seasons. Such changes complicate pricing, contracting, and business planning.[50] For example,

establishing a small yurt camp of approximately 30 beds on a pasture plot of 1–3 hectares can require 4–8 months of technical studies and approvals before construction can begin. Given that pasture leases are often granted for only 3–5 years, administrative procedures alone may consume up to one-fifth of the lease period, significantly increasing investment risk and undermining project viability.

Border permit requirements and visa policies constrain international access to higher-value, nature-based tourism. Foreign visitors to certain border areas must obtain paper-based border-zone permits in advance and collect them in person, with processing typically taking 5–7 business days. Issued by the State Border Service, these permits are required for access to major nature-based destinations such as Kel-Suu Lake, Khan-Tengri National Park, Enilchek Glacier, Chatyr-Kul Lake, and Lenin Peak Base Camp. These requirements increase costs for tour operators, raise cancellation risks during peak seasons, and restrict access to high-value trekking routes, lakes, and multiday itineraries central to nature-based tourism. Visa openness and policy predictability are also more limited than in some regional peers, such as Uzbekistan, despite the introduction of the Sapar visa through the electronic system in January 2025.[51] These constraints may weaken investor confidence in demand growth, particularly for high-end accommodation and year-round tourism products.

Institutional fragmentation and weak public-private coordination undermine policy coherence and delay the resolution of investment constraints. Tourism-related responsibilities have been dispersed across the Ministry of Economy and Commerce, the former Department of Tourism, regional administrations, environmental and protected-area authorities, construction and planning agencies, border and migration services, and local governments. The State Agency for Tourism Development, established under the Cabinet of Ministers in March 2026, took over the functions of the former Department of Tourism, with the Tourism Development Support Fund subsequently placed under its oversight. To strengthen policy implementation, the agency will need clearly defined functions extending beyond tourism promotion. Drawing on international experience, including Georgia, these could include strategic marketing and branding targeted at priority markets, tourism data and market intelligence, structured public-private coordination, industry support and investor facilitation, and coordination of licensing, certification, and service quality standards. Effective coordination across institutions will be essential. These challenges are particularly evident at the destination level in Issyk-Kul, where fragmented responsibilities for land use, permitting, infrastructure, and SPNAs continue to weaken destination management and delay investment. This underscores the importance of a lead agency with clearly defined responsibilities for coordinating tourism policy, marketing, and industry development.

The regulatory framework for tourism has not fully kept pace with sector developments. Although the Law on Tourism was adopted in 1999 and has since been amended, including the development of further amendments in 2023–24 to incorporate sustainable tourism principles, key provisions are still not fully operational, partly because implementing regulations are pending. As a result, the legal and institutional framework has not fully adapted to market conditions, limiting the systematic use of market intelligence and private sector feedback in planning and investment decisions, weakening strategic prioritization, and delaying the identification and resolution of emerging constraints.

Skills shortages constrain the development of higher-value, nature-based tourism in the Kyrgyz Republic. The most acute gaps are in certified occupations critical to safety, service quality, and market access, including licensed mountain and trekking guides, rescue and emergency personnel, and food safety–certified accommodation staff. These shortages reflect limited access to specialized, internationally recognized training, fewer opportunities to gain experience because of seasonality, and wages that are insufficient to attract and retain qualified staff in remote and high-risk locations. Average tourism sector wages, used as a proxy for wages in these occupations, are around 30 percent below the national average, 20 percent below those in Uzbekistan, and more than 40 percent below those in Kazakhstan. These wage differentials may make it difficult to retain certified guides, rescue staff, and other safety-critical personnel essential for developing higher-value tourism. Together, these constraints limit operators' ability to expand high-end, year-round tourism offerings and attract international visitors.[52]

Weak tourism data and fragmented digital services constrain evidence-based planning and raise transaction costs for investors. Tourism statistics rely largely on annual and quarterly surveys and border-crossing data, providing limited and delayed information on length of stay, visitor behavior, travel patterns, and spending, particularly among visitors using informal accommodation. In Issyk-Kul, where more than half of visitors stay outside the formal accommodation sector, these data gaps hinder destination management and infrastructure planning. Visitor-facing digital services are also fragmented, with separate systems for visas, bookings, transport, park access, and insurance, while digital payment options are limited in remote areas. These shortcomings increase transaction costs, reduce revenue transparency, and weaken the attractiveness of higher-value, nature-based tourism investments.[53]

3.2 Constraints to Private Investment and Recommendations

3.2.1 *Land Permitting*

CONSTRAINT 1. Land-related legal uncertainty increases risk for tourism investments, which depend on secure, site-specific land tenure and long planning horizons.

RECOMMENDATION 1. Amend Chapter 10 of the Land Code to explicitly protect bona fide purchasers by ensuring the security of titles acquired in good faith and duly registered, except in cases of proven fraud or gross negligence by the current owner. The amendment should (a) define "good-faith acquisition" based on reliance on the official land register and completion of legally required due diligence; (b) prohibit the revocation of titles or seizure of land from bona fide purchasers because of past administrative errors or unlawful acts of which they were unaware; and (c) assign liability for such irregularities to the responsible public authority or original beneficiary, including through compensation mechanisms where restitution is not feasible. This approach is consistent with principles reflected in European land registration systems and European Court of Human Rights jurisprudence, which recognizes registered property rights as protected possessions under Article 1 of Protocol No. 1 to the European Convention on Human Rights and emphasizes protection against disproportionate interference arising from administrative errors.

CONSTRAINT 2. Discretionary extension of land-use rights in state natural parks and termination of forest land-use rights create uncertainty over the duration of tourism investments and operations, undermining tenure security.

RECOMMENDATION 2A. Establish a rules-based framework for extending long-term temporary land-use agreements where contractual and legal obligations are met, with clear procedures, binding timelines, and an exhaustive list of grounds for refusal. Lease extensions should generally be granted in cases of compliance, while allowing refusal on clearly specified environmental or planning grounds. Investors should also be able to obtain long-term leases from the outset where environmental and planning requirements are satisfied.[54]

RECOMMENDATION 2B. Amend Article 32 under Government Resolution No. 192 to remove termination for a single late payment and require prior written notice and a defined period to remedy noncompliance. Termination for noncompliance should be permitted only in cases of repeated, material, and unresolved violations. The amendment should also clearly define "public needs" and establish objective criteria to limit discretionary termination decisions. Where termination occurs through no fault of the investor, the framework should provide compensation for verified, lawfully made

tourism investments, including site preparation, buildings and fixed structures, utilities, access infrastructure, and other immovable assets developed in accordance with approved permits.

CONSTRAINT 3. Construction and permitting requirements are disproportionate for small and medium-size tourism facilities, increasing costs and approval timelines.

RECOMMENDATION 3. Introduce proportionate construction and permitting requirements based on facility size, permanence, and risk. Exempt small-scale and noncapital tourism facilities from full design documentation, mandatory expert review, and supervision requirements while maintaining essential safety standards.

CONSTRAINT 4. The absence of a unified, publicly accessible registry specifying required documents, approval criteria, and legally binding timelines for tourism-related land-use, construction, environment, and operational permits creates regulatory uncertainty. This affects both permanent and temporary tourism facilities, including seasonal yurt camps.

RECOMMENDATION 4. Establish a unified, publicly accessible digital registry ("single window") specifying required documents, approval criteria, responsible authorities, and legally binding timelines for tourism-related land-use, construction, environmental, and operational permits. The system should cover both permanent and temporary tourism facilities, providing regulatory clarity to reduce entry costs and uncertainty for investors. The State Agency for Tourism Development should play a central role in implementing and coordinating the single window system.[55]

CONSTRAINT 5. Permitting timelines and validity periods are misaligned with tourism business operations.

RECOMMENDATION 5. Extend the validity of operating permits and streamline renewal requirements for tourism businesses. Allow multiyear validity for the Tourism Passport or introduce a simplified notification-based renewal system once compliance with land-use, construction, environmental, and safety requirements has been verified.

3.2.2 *Access to Border Zones*

CONSTRAINT 6. Border-zone permitting requirements for foreign visitors reduce itinerary flexibility and constrain tourism activity in key nature-based destinations, undermining investment viability.

RECOMMENDATION 6. Where permit requirements cannot be fully abolished because of security or border-control considerations, introduce a fully digital border

permit system integrated into the e-government portal, with QR code–based authorization and processing times capped at 1–2 business days. The system should eliminate in-person applications, physical verification, and passport stamping requirements while maintaining necessary security checks through digital prescreening and interagency coordination.

3.2.3 Limited Air Connectivity

CONSTRAINT 7. Limited air connectivity contributes to high airfares and constrains higher-value tourism. Thin route networks, limited flight frequencies, and barriers to entry for foreign and low-cost carriers reduce access from higher-spending markets and weaken incentives for private investment in higher-end accommodation and year-round tourism products.

RECOMMENDATION 7. Review and, where necessary, revise bilateral air service agreements with priority tourism source markets to remove unnecessary restrictions on airline designation, routes, frequencies, capacity, and traffic rights. Operationalize Open Skies policies on selected priority tourism routes by removing regulatory and administrative barriers to entry and expansion of foreign carriers.

3.2.4 *Impact on Private Investment and Jobs*

Targeted reforms could remove significant barriers to private investment in nature- and adventure-based tourism in the Kyrgyz Republic. Over the medium term, implementing the recommendations in this CPSD could unlock up to US$220 million in private investment in higher-quality accommodation and year-round tourism products, generating up to 20,800 more and better-paid jobs (direct, indirect, and induced) across tourism value chains (see appendix A).[56] These impacts could contribute to regional development, economic diversification, and greater integration of local communities into higher-value tourism markets.

3.3 Summary of Constraints and Recommendations

Table 3.1

Policy Recommendations to Remove Impediments to Private Investment in Nature-Based Tourism

	Constraints	Recommended actions	Responsible public sector entities
1	**Land-related legal uncertainty increases investment risks, particularly for tourism projects with long investment horizons.**	Amend Chapter 10 of the Land Code to establish clear legal safeguards for bona fide purchasers.	Cabinet of Ministers; Forest Service under the Ministry of Natural Resources, Ecology and Technical Supervision; Ministry of Emergency Situations; Jogorku Kenesh (Parliament); State Agency for Land Resources, Cadastre, Geodesy, and Cartography under the Cabinet of Ministers; Ministry of Economy and Commerce.
2	**Discretionary extension of land-use rights in state natural parks and termination of forest land-use rights undermine tenure security for tourism investments.**	a. Establish clear, rules-based procedures, binding timelines, and defined grounds for refusing land-use extensions, while allowing long-term leases from the outset where applicable requirements are met. b. Amend Article 32 of Government Resolution No. 192 to establish proportionate termination grounds, remediation safeguards, and compensation provisions for qualifying investments.	Ministry of Natural Resources, Ecology and Technical Supervision.
3	**Disproportionate construction and permitting requirements increase costs and approval timelines for small and medium tourism facilities.**	Introduce proportionate construction and permitting requirements based on facility size, permanence, and risk, while maintaining essential safety standards.	Ministry of Construction, Architecture and Housing and Communal Services.

(Table continues next page)

Table 3.1

Policy Recommendations to Remove Impediments to Private Investment in Nature-Based Tourism *(continued)*

	Constraints	Recommended actions	Responsible public sector entities
4	**Fragmented permitting procedures and the absence of a unified public registry of requirements and approval timelines increase transaction costs and regulatory uncertainty.**	Establish a unified publicly accessible digital single window for tourism permits, specifying required documents, approval criteria, responsible authorities, and binding timelines.	Ministry of Economy and Commerce.
5	**Permitting timelines and validity periods are misaligned with tourism business operations.**	Extend operating permit validity and simplify renewals through multiyear approvals or notification-based renewal once compliance is verified.	Ministry of Economy and Commerce; Ministry of Construction, Architecture and Housing and Communal Services; State Registration Service; Ministry of Natural Resources, Ecology and Technical Supervision; Cabinet of Ministers.
6	**Border-zone permit requirements reduce itinerary flexibility and limit tourism activity in key nature-based destinations.**	Remove border-zone permit requirements where feasible or introduce a fully digital permit system with QR code authorization and processing times capped at 1–2 business days, while maintaining necessary security checks.	Ministry of Digital Development and Innovative Technologies; State Institution "Kyzmat" under the Presidential Affairs Management; State Border Guard Service.
7	**Limited air connectivity contributes to high airfares and constrains the development of higher-value tourism at scale.**	Review and, where necessary, revise bilateral air service agreements with priority tourism source markets. Remove unnecessary restrictions on airline designation, routes, frequencies, capacity, and traffic rights, and implement Open Skies policies on selected priority routes by removing regulatory and administrative barriers to the entry and expansion of foreign carriers.	Ministry of Transport and Communications; Cabinet of Ministers; State Civil Aviation Agency under the Cabinet of Ministers.



4 Fruit and Berry Production and Processing

AT A GLANCE

- The Kyrgyz Republic has favorable agroclimatic conditions and a long tradition of producing apples, apricots, cherries, and berries. Growing regional demand, particularly in neighboring Eurasian Economic Union markets, creates opportunities for export growth, especially in processed fruit and berry products with longer shelf life.
- Private investment is constrained by uncertain land access, weak certification and laboratory systems, limited long-term finance, inadequate postharvest and cold-chain infrastructure, restrictive input regulations, ineffective aggregation mechanisms, and labor regulations poorly suited to seasonal production.
- Unlocking private investment will require clearer land access procedures, stronger sanitary and phytosanitary compliance systems, predictable value added tax treatment, streamlined infrastructure and energy connections, and more flexible aggregation models. These reforms could reduce investment risks and enable scaling into higher-value export markets.
- Over the medium term, these reforms could catalyze up to US$250 million in private investment in orchards, processing, and logistics and generate up to 24,000 more and better-paid jobs, primarily in rural areas and across the fruit and berry value chain.

4.1 Sector Context and Investment Potential

The global market for fruit and berries is large and growing. In 2024, the global fruit market was estimated at around US$850 billion, reflecting strong demand for fresh and processed products across major importing regions. The market is projected to reach US$1.3 trillion by 2033, growing at an average annual rate of about 4.6 percent, driven by increasing health awareness, urbanization, and improved year-round availability through modern retail and cold-chain logistics.[57] Suppliers that can meet quality standards and cold-chain and processing requirements at scale are well positioned to capture this growth. Within this market, berries are among the fastest-growing segments, with global demand expanding by around 6 percent annually, supported by their perceived health benefits and increasing consumption in fresh and frozen forms and processed products such as juices and concentrates.[58]

With targeted reforms, the Kyrgyz Republic's fruit and berry sector could offer commercially viable opportunities for private investment over the medium term.[59] The country's geography and favorable agroclimatic conditions and long tradition of fruit cultivation support the production of higher-value crops such as apples, cherries, apricots, and berries.[60] Growing demand in Kazakhstan and the Russian Federation, along with increasing consumption in domestic urban markets, is creating commercial opportunities for the sector.[61] At the same time, expanding demand for processed fruit products, including juices, frozen fruit, dried fruit, purees, and concentrates, offers scope for value addition beyond fresh production. Together, these factors position the Kyrgyz Republic's fruit and berry cluster to better serve growing regional markets, provided that constraints related to production scale, quality, and investment are addressed.

The sector has substantial potential for job creation and development impact if targeted policy reforms can unlock private investment. Agriculture is still a key source of rural employment and income in the Kyrgyz Republic, accounting for 15.4 percent of total employment in 2025.[62] Investment in fruits and berry production, particularly in processing, storage, and logistics, could create more and better jobs, especially for women and youth, while helping reduce labor migration. Value chain development, including contract farming, aggregation centers, and export logistics, could generate employment across farming, processing, transport, and retail. World Bank analysis of horticulture value chains in Central Asia finds that horticulture is substantially more labor-intensive than cereal production and can generate significant employment through broader value chain linkages.[63]

Fruit and berry production is concentrated in irrigated areas, where water availability directly affects yields, quality, and harvest timing. Small producers typically cultivate plots of 1–10 hectares near irrigation canals and install drip irrigation where financially

feasible. A limited number of large orchards and berry plantations also operate in the sector. Regional specialization reflects agroclimatic conditions: Issyk-Kul's lake-moderated climate supports apples, apricots, and berries; Jalal-Abad, Batken, and Osh produce early-season cherries; Chui and Talas supply apples, raspberries, and currants; and Osh and Batken also produce raspberries and strawberries.[64]

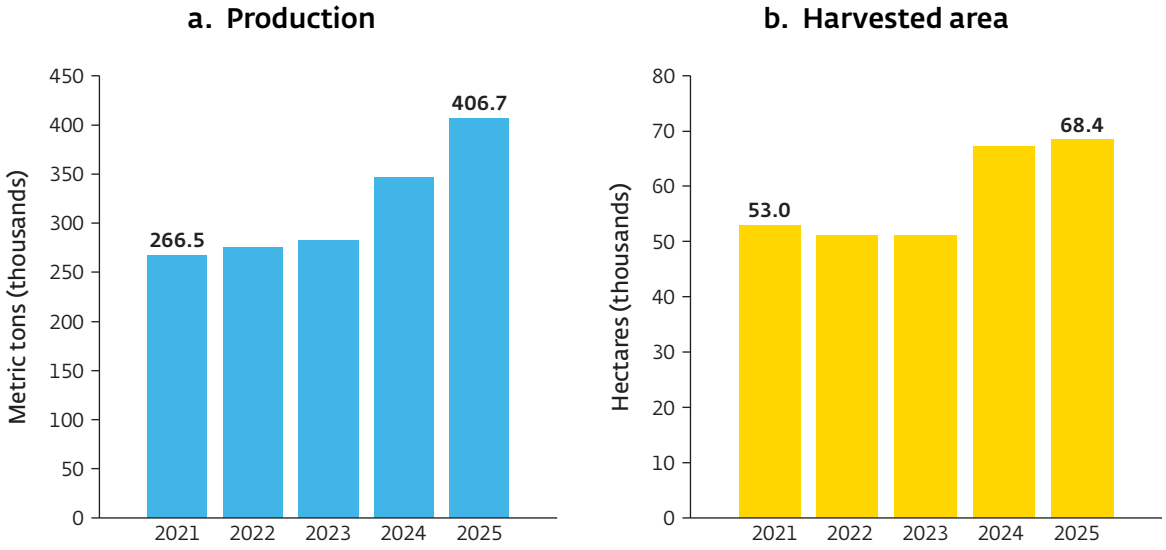
The sector's value chain is characterized by dispersed production and partially organized downstream market channels. Inputs, including planting material, agrochemicals, irrigation, equipment, advisory services, and finance, are largely market-based and supplied by private providers, although access and quality vary across regions and farm types. Primary production is dominated by small-scale orchards operating under seasonal conditions, with uneven technology adoption and limited quality standardization. Aggregation takes place through a mix of informal traders, cooperatives, and wholesale markets, which assemble produce into more uniform batches for storage, processing, and sale. Storage and processing activities, including sorting, packaging, drying, juice production, and freezing, are unevenly developed and less prominent than fresh produce sales. Distribution and exports are predominantly seasonal and concentrated in nearby regional markets.

Production has expanded in recent years, reflecting increases in planted areas, particularly for berries and intensive orchards. According to the National Statistical Committee of the Kyrgyz Republic, total fruit and berry production increased steadily from approximately 266,500 tons in 2021 to about 407,000 tons in 2025, a rise of roughly 50 percent (figure 4.1). Farmers have shown growing interest in berry cultivation, with strawberry acreage increasing from 632 hectares in 2020 to 2,150 hectares in 2024 and raspberry acreage rising from 741 hectares to 1,800 hectares over the same period. Government estimates also identify approximately 614,000 hectares of low-productivity agricultural land nationwide that could potentially be brought into productive use, including for perennial fruit and berry crops where conditions permit.[65]

Despite expanding planted areas and rising aggregate output, productivity across major fruit and berry crops is low relative to comparator countries. Apples dominate the sector, with harvested area broadly stable at around 27,000 hectares between 2015 and 2024 and production increasing modestly, from about 128,000 to 140,000 tons. Yields were low at approximately 5.1 tons per hectare in 2024, well below those in Chile and Türkiye, as well as regional peers such as Serbia and Uzbekistan, indicating limited productivity gains. A similar pattern is evident for apricots and cherries, where substantial area expansion, about 16 percent for apricots and over 50 percent for cherries, has not translated into commensurate output growth, as yields have stagnated or declined. Some berry crops, including currants, are still produced on a relatively small scale, with harvested areas limited to a few hundred hectares and yields below those in Kazakhstan, the Russian

Figure 4.1

Fruit and Berry Production Has Increased as Harvested Area Has Expanded



Source: NSC KR.

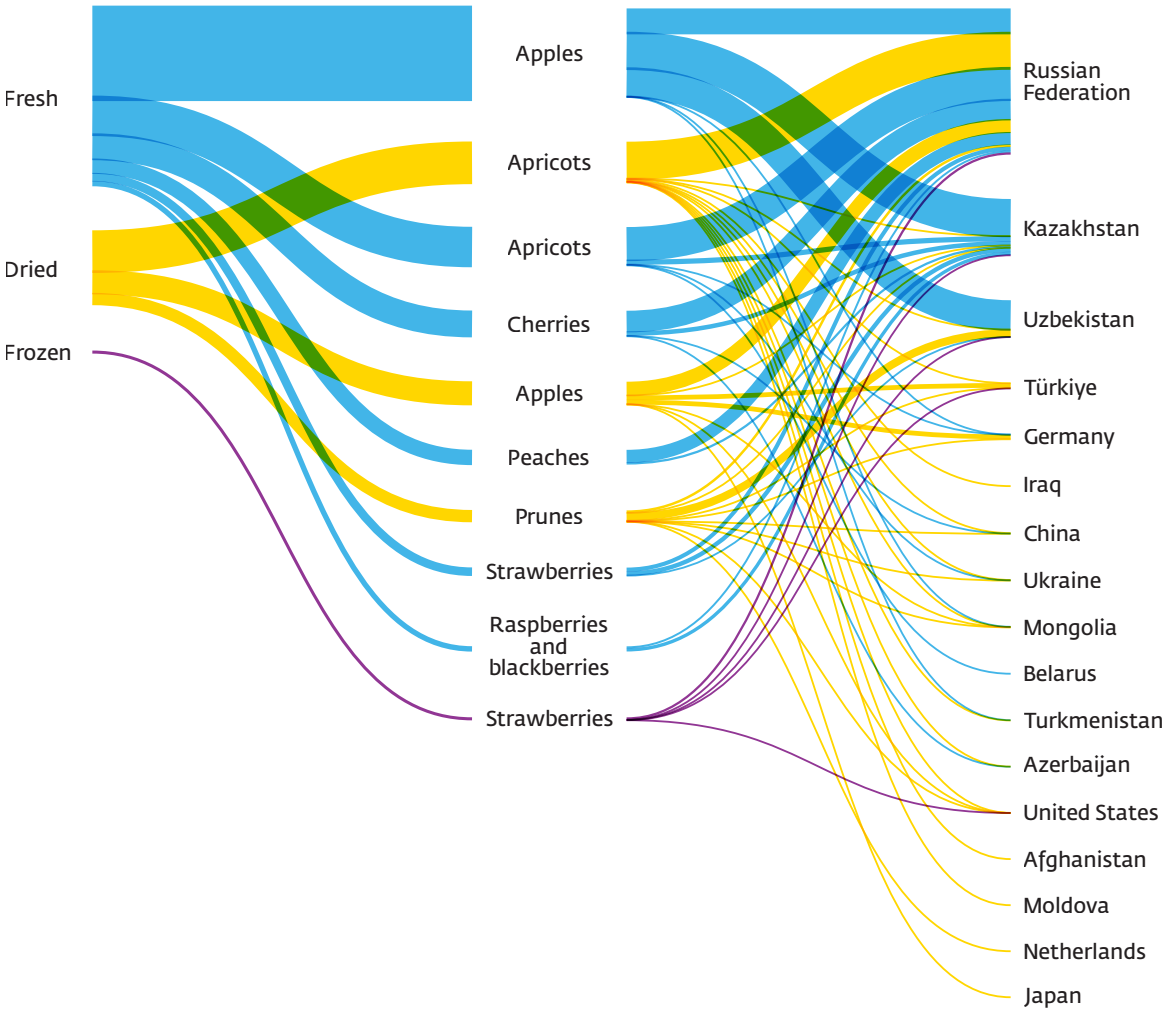
Federation, and Türkiye. These productivity gaps also weaken export competitiveness, particularly in larger and higher-value markets. Overall, the evidence suggests that addressing productivity constraints through improved planting material, technology adoption, modern production practices, and stronger value chain organization will be critical to increasing yields, supporting value addition, and attracting private investment. Prioritizing these improvements over further expansion of cultivated area could strengthen future sector growth and export competitiveness.

Exports of fresh fruit and berries have expanded rapidly in recent years, reflecting growing commercial integration with regional markets. Export volumes more than tripled between 2022 and 2024, with the largest shipments destined for Uzbekistan, the Russian Federation, and Kazakhstan (figure 4.2). According to International Trade Centre data, fresh apple exports totaled approximately 19,840 metric tons (MT) in 2024, mainly to Uzbekistan (15,870 MT), followed by the Russian Federation (2,290 MT), Kazakhstan (1,620 MT), and Mongolia (52 MT). Fresh strawberry exports totaled about 1,100 MT, primarily to the Russian Federation and Kazakhstan, while exports of frozen raspberries and blackberries reached roughly 592 MT, primarily to the Russian Federation, with smaller volumes shipped to Kazakhstan and Uzbekistan. Despite this growth, exports are concentrated in a few markets. Consistent product quality and reliable cold-chain logistics will be critical to expanding exports and attracting private investment.

Figure 4.2

Fruit and Berry Exports Are Concentrated in Neighboring Markets with Minimal Processing

Average exports, 2020–24 (metric tons)



Source: Based on data from ITC.

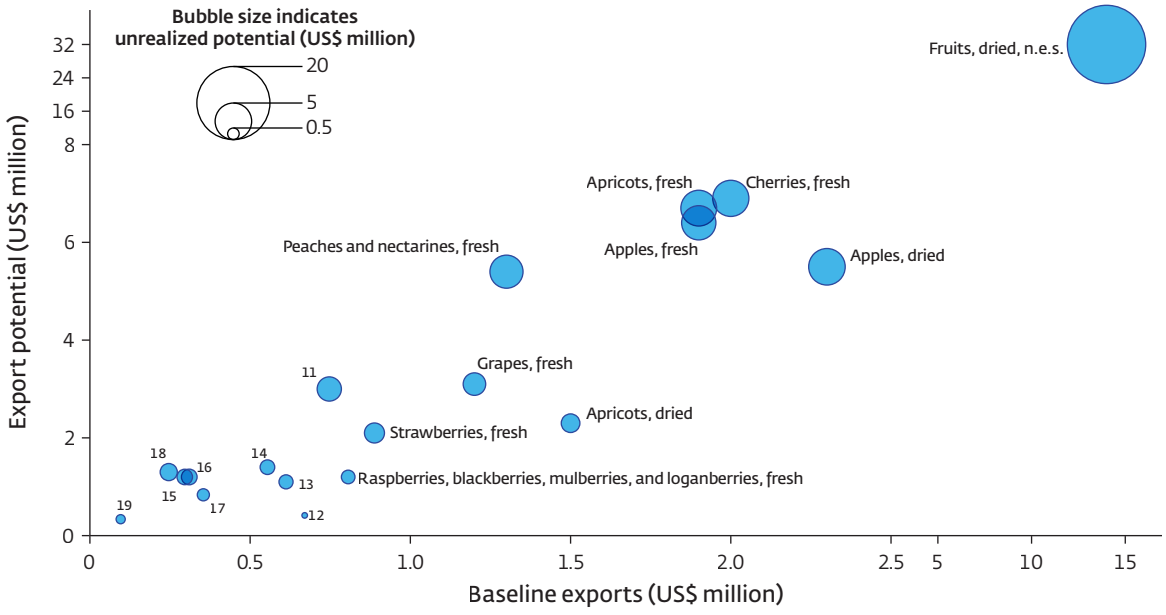
The Kyrgyz Republic's fruit and berry sector has substantial untapped export potential.[66] Emerging trade corridors, including the Trans-Caspian route, could improve access to markets in Türkiye, the Caucasus, and Europe.[67] Based on 2024 data, the sector's annual export potential is estimated at US$78 million, compared with current exports of US$23 million, suggesting approximately US$55 million in unrealized potential. Products with the highest untapped export potential include dried fruit, apples, apricots,

cherries, and berries (figure 4.3). The markets with the greatest potential for the Kyrgyz Republic's fruit exports are the Russian Federation, China, and Kazakhstan. China has the largest estimated gap between potential and actual exports, at US$21 million,[68] offering opportunities for diversification beyond traditional regional markets. In the short to medium term, frozen and other processed products may offer the most feasible entry point, while access to higher-value fresh fruit markets will require stronger traceability, certification, cold-chain logistics, and consistency of supply. Realizing this potential will also require the Kyrgyz Republic to compete with regional exporters, particularly Uzbekistan, where horticultural modernization, improved certification, and postharvest systems have supported export expansion. Access to higher-value markets will therefore depend on improvements in product quality, traceability, certification, and cold-chain performance, alongside increased production.[69]

Greater value addition could strengthen the Kyrgyz Republic's fruit and berry export competitiveness. Only 1.5 percent of horticultural production is processed, while 80 percent of fruit is consumed fresh, 1.3 percent is processed, and 17.2 percent is exported.[70]

Figure 4.3

Fruits and Berries Have Substantial Untapped Export Potential



Source: Based on data from ITC.
Note: n.e.s. = not elsewhere specified. Numbers next to the bubbles correspond to the following products: (11) fruits, fresh, n.e.s.; (12) raspberries, blackberries, and similar, fresh; (13) prunes, dried; (14) watermelons, fresh; (15) pears and quinces, fresh; (16) guavas, mangoes, and mangosteens; (17) plums and sloes, fresh; (18) mandarins, clementines, and similar citrus hybrids; and (19) bananas and plantains.

These figures highlight opportunities to improve postharvest handling through better product consolidation, cold storage, and transport, which could significantly boost the exportability of Kyrgyz produce. The food processing industry is well positioned to support this shift, benefiting from the Kyrgyz Republic's membership in the Eurasian Economic Union (EAEU), Generalized Scheme of Preferences Plus (GSP+) status with the European Union (EU),[71] relatively low processing costs, and an established reputation for traditional processed products such as canned and dried fruit, vegetables, and nuts.

Export-oriented fruit and berry production can be more capital-intensive than traditional production methods and requires closer integration with downstream value chains. Berries, cherries, and intensive orchards can generate higher value per hectare but require greater upfront investment in high-quality planting material, irrigation, protective infrastructure, and postharvest facilities. Their commercial viability therefore depends on coordinated grading, packaging, certification, cold storage, and logistics. Perishable products are particularly sensitive to cold-chain reliability, transport times, and compliance with sanitary and phytosanitary requirements.[72]

High postharvest losses and limited downstream processing capacity point to substantial opportunities for value addition. Estimates indicate that up to 40 percent of fruit and berry production in the Kyrgyz Republic is lost annually because of inadequate storage, limited processing facilities, and weak market linkages.[73] Processing is limited even in surplus-producing regions. For example, only around 1 percent of apricot production in Batken is processed, with most output sold fresh at low farmgate prices or lost during peak harvests. Expanding processing capacity, including drying, freezing, juice production, and preserves, could offer a more scalable, export-oriented growth pathway than expanding primary production alone.[74] Given limited opportunities to expand arable land and increasing pressure on irrigated areas, investment in the fruits and berry subsector may be more profitable when focused on converting existing output into higher-value products with longer shelf lives and greater export potential rather than expanding cultivated area.[75, 76]

Market access requirements for exports to China can be more demanding than those within the EAEU. China applies product-specific requirements, including approval of eligible products, registration of orchards and packing facilities, phytosanitary controls, traceability, and packaging and labeling standards. These requirements make existing gaps in accredited testing, traceability, cold-chain infrastructure, and product consistency particularly challenging for exporters.

The sector's potential is constrained by regulatory, financial, and institutional barriers that deter private investment. Lengthy and opaque land-use procedures undermine predictability for capital-intensive investments; insufficient certification and

laboratory infrastructure raise export transaction costs; and limited access to long-term finance, compounded by weak recognition of collateral, restricts investment in orchards, storage, and processing. These constraints are reinforced by gaps in postharvest and cold-chain infrastructure, regulatory uncertainty affecting key inputs, weak aggregation mechanisms, and labor and skills policies that are poorly adapted to seasonal production.

Restrictive and uncertain land access and land-use rules significantly constrain private investment in fruit and berry value chains. Lengthy, multistage land allocation and registration procedures, often involving multiple agencies with limited coordination, raise transaction costs, create regulatory uncertainty, and cause delays that can result in investors missing critical planting periods, extending project timelines.[77] Even when land is allocated, limited access to basic infrastructure further undermines project viability and discourages investment in long-term assets such as orchards, storage, and processing facilities. Draft amendments to the Land Code, currently under discussion, would simplify land access for large investors committing at least som 1 billion (US$11.4 million). However, their relevance to the fruit and berry sector may be limited because sector-specific constraints persist.[78] The effectiveness of these amendments will depend on clear implementing regulations defining institutional responsibilities, standardizing permit requirements, and establishing transparent timelines. In particular, uncertainty over whether storage, sorting, and processing facilities can be developed on or adjacent to agricultural land continues to discourage vertically integrated investments.

Constraints related to certification, standards, and laboratory infrastructure limit the viability of export-oriented private investment. Although sanitary and phytosanitary regulations and quality standards formally exist, domestic laboratories lack internationally recognized capacity to conduct the full range of tests required for exports, particularly multiresidue pesticide testing. Exporters therefore send samples to accredited laboratories abroad, notably in Kazakhstan, the Russian Federation, and Uzbekistan, adding up to seven working days to export preparation and about US$300 per batch.[79] These testing arrangements increase shipment costs, extend lead times, raise working-capital needs, and reduce predictability.[80] Fragmented certification procedures, the high cost of voluntary standards that are effectively required to access higher-value export markets,[81] and limited use of group certification that allow producers to share compliance costs discourage direct private investment in packing, cold-chain, and processing capacity. These barriers reinforce reliance on intermediaries and constrain export expansion.

Limited collateral options constrain access to finance and deter private investment in capital-intensive fruit and berry value chains. Although concessional credit programs have expanded agricultural lending, financing conditions are poorly aligned with horticulture's high upfront costs and long payback periods. Agricultural land is often rejected as collateral or assigned a low value, not because of a formal legal prohibition

but because of banking practices related to valuation and recovery risk. Orchard investors report that banks frequently accept only urban real estate, such as property in Bishkek, while perennial plantings, cold storage facilities, and processing equipment are generally not recognized as acceptable collateral. These practices reflect thin land markets, limits on enforceability and resale, and difficulties in valuing perennial assets whose returns accrue over several years. As a result, collateral requirements reportedly reach 120–125 percent of loan value, forcing investors to rely on internal financing and limiting the ability of small and medium producers to invest in capital-intensive activities such as orchards, cold storage, and processing.[82] Land-use uncertainty and infrastructure gaps compound these financing constraints. Unclear land tenure, delayed grid connections, and permitting delays for storage facilities increase lenders' perceived execution risks, potentially leading to higher collateral requirements or shorter loan tenors and further discouraging long-term investment.

Infrastructure limitations and insufficient cold-chain systems undermine the bankability of downstream private investments. Limited and unevenly distributed postharvest infrastructure, particularly primary cooling, cold storage, and freezing capacity, constrains downstream investment. Unreliable electricity supply, grid connections that are poorly aligned with cold-chain operating requirements in terms of timing, capacity, and reliability, weak cold-chain integration, and inadequate temperature-controlled transport further increase operational uncertainty and deter investment in storage, processing, and export infrastructure.[83] These constraints are particularly more acute for berries, which require strict temperature control and rapid postharvest handling. Disruptions in cold-chain continuity can lead to quality losses and shipment risks, further discouraging private investment in downstream activities.

Regulatory barriers to accessing high-quality agricultural inputs raise costs and increase risks for capital-intensive projects. Lengthy and discretionary registration procedures for fertilizers, plant protection products, and planting material complicate investment planning and delay technology adoption. Even inputs already certified in the EU or the Russian Federation may face lengthy and costly local testing and registration in the Kyrgyz Republic because of case-by-case approval processes, unclear documentation requirements, and the absence of expedited or mutual recognition procedures, sometimes taking more than a year. These requirements discourage reputable suppliers and delay access to high-quality inputs for plant protection and crop management. Delays may also increase pesticide residue risks and the likelihood of export rejections if producers resort to less suitable or lower-quality alternatives. These challenges are compounded by tax asymmetries, including higher effective tax burdens on organic and biological inputs and inconsistent value added tax (VAT) treatment of intensive orchard establishment and postharvest infrastructure. In particular, the lack of clear and consistent VAT classification for anti-hail nets, trellises, and

drip irrigation systems, which are often treated as taxable equipment rather than VAT-exempt agricultural inputs, increases capital expenditure and uncertainty, potentially leading investors to delay, scale back, or relocate capital-intensive projects.

Mandatory multiyear testing before variety approval and limited agroclimatic zoning guidance further discourage orchard investment. Requirements for multiyear testing before variety approval and the absence of clear, officially recognized, region-specific guidance on agroclimatic suitability and commercially viable varieties delay orchard establishment and increase the likelihood that investors will scale back their plans.

Fragmented production structures and ineffective cooperative models constrain aggregation and downstream investment. Fruit and berry production is dominated by small, geographically dispersed farms, limiting production scale, quality standardization, and collective investment in irrigation and postharvest infrastructure. Fragmentation also hampers reliable supply to larger buyers and increases certification, traceability, postharvest handling, and market access costs. Stronger aggregation mechanisms could improve coordination among producers and the commercial viability of downstream investments. However, cooperatives remain underused because the legal framework, which provides for equal voting rights regardless of farm size or capital contribution, offers limited investor protections and lacks differentiated membership structures that distinguish between producer and investor roles. These arrangements create misalignments between governance rights and investment risk, particularly for capital-intensive irrigation and postharvest infrastructure with long payback periods, where investors have limited safeguards for their returns. As a result, private investors may be reluctant to participate in cooperatives, leaving infrastructure investments to be undertaken outside collective arrangements or not at all.

Human capital shortages, combined with rigid seasonal employment regulations, increase operational risks and weaken the viability of private investment in labor-intensive activities. Shortages of experienced agronomists and technologists in intensive orchards, berry production, and postharvest operations, together with the weak alignment of education and advisory services with private sector needs, limit technology adoption and contribute to inconsistent production and quality outcomes.[84]

4.2 Constraints to Private Investment and Recommendations

4.2.1 *Land Access and Land Use*

CONSTRAINT 1. Procedural uncertainty in land allocation and land-use decisions delays projects and undermines investment predictability.

RECOMMENDATION 1. Standardize and clarify land allocation and land-use procedures. Amend existing implementing resolutions under the Land Code to establish clear, standardized procedures for agricultural investment projects, including binding decision deadlines, requirements for written explanations of delays, and clear next steps for overdue approvals. Simplify procedures and improve coordination with local authorities.

CONSTRAINT 2. Onerous land repurposing requirements limit investment in essential agricultural infrastructure.

RECOMMENDATION 2. Simplify land-use transformation for agricultural infrastructure. Introduce a simplified, predictable mechanism for repurposing land for essential agricultural infrastructure, including cold storage facilities, packhouses, logistics centers, irrigation reservoirs, and water infrastructure. Clarify zoning and cadastral requirements and establish procedures proportionate to project scale.

4.2.2 *Certification, Standards, and Input Regulation*

CONSTRAINT 3. Insufficient accredited laboratory and conformity assessment capacity increases compliance costs, often requiring exporters to conduct testing abroad, and limits access to higher-value export markets.

RECOMMENDATION 3. Establish clear accreditation procedures, adopt validated testing methods and quality management systems, ensure participation in proficiency testing programs, and align accreditation frameworks with international recognition arrangements to enable ISO/IEC 17025 accreditation for export-related testing. Prioritize multiresidue pesticide analysis, microbiological food safety testing, and phytosanitary diagnostics.[85]

CONSTRAINT 4. Lengthy and restrictive registration and approval procedures for agrochemicals, fertilizers, and biological inputs delay access to modern agricultural technologies.

RECOMMENDATION 4. Streamline approval of internationally registered agricultural inputs. Introduce risk-based approval pathways for agrochemicals, fertilizers, and

biological inputs registered under internationally recognized regulatory systems. Eliminate duplicative local testing requirements and clarify equivalence criteria in implementing regulations.

CONSTRAINT 5. Unclear and inconsistent VAT treatment of anti-hail nets, trellises, and drip irrigation systems increases investment costs.

RECOMMENDATION 5. Ensure consistent application of VAT exemptions for agricultural production assets. Establish a uniform list of goods eligible for existing VAT exemptions when used in agricultural production, including anti-hail nets, trellis systems, drip irrigation systems, and their components. This would ensure consistent application of existing tax provisions without introducing new fiscal incentives.

4.2.3 *PostHarvest and Cold-Chain Infrastructure*

CONSTRAINT 6. Insufficient postharvest and cold-chain infrastructure increases operational risks and undermines the bankability of downstream private investments.

RECOMMENDATION 6A. Prioritize cold-chain and agroprocessing infrastructure in permitting and approval procedures. Explicitly designate these investments as priority category to enable coordinated review and faster administrative processing.

RECOMMENDATION 6B. Simplify permitting procedures for storage, cooling, and freezing facilities. Introduce time-bound procedures with fewer approval steps and binding processing timelines.

RECOMMENDATION 6C. Clarify technical and sanitary requirements for small and medium cold storage and processing facilities. Establish clear, proportionate requirements to reduce compliance uncertainty and investment risks.

4.2.4 *Aggregation and Cooperative Governance*

CONSTRAINT 7. The cooperative framework, based on the principle of "one member, one vote" regardless of capital contribution, lacks a distinct legal status for investor members and provides insufficient protection of investment contributions.

RECOMMENDATION 7. Allow differentiated participation rights for investment-oriented cooperative members. Amend the Law of the Kyrgyz Republic on Cooperatives to introduce investor-member status and allow differentiated participation rights based on capital contributions and investment exposure, while preserving the one-member, one-vote principle for standard governance decisions.

4.3 Risks to Be Managed

Water and climate risks. Fruit and berry production in the Kyrgyz Republic depends heavily on reliable irrigation water, which affects yields, product quality, and the ability to meet export standards. Rising temperatures, changing precipitation patterns, and declining glacier resources are placing increasing pressure on water availability and irrigation systems. These conditions create risks to intensive orchards and berry production, which require substantial upfront investment and stable operating conditions. Without improvements in irrigation efficiency and water management, water scarcity could constrain sector expansion, reduce productivity, and increase production costs.[86]

4.4 Impact on Private Investment and Jobs

Targeted reforms could remove significant barriers to private investment in the fruit and berry sector of the Kyrgyz Republic.

Over the next five years, the proposed reforms could help attract up to US$250 million in private investment by addressing key binding constraints, including fragmented production and weak aggregation, land access and land-use uncertainty, gaps in certification and laboratory capacity for export markets, and insufficient postharvest and cold-chain infrastructure. These measures could unlock investment opportunities in orchards, cold storage, processing, and export logistics, particularly in higher-value activities such as drying, freezing, and juice and concentrate production. Such investments could enable a shift from low-value fresh produce sales toward more diversified, export-oriented value chains (see appendix A).

Expanding commercially oriented production and value addition through downstream investments could generate up to 24,000 more and better-paid jobs (direct, indirect, and induced) across the value chain over the same five-year period, particularly in rural areas (see appendix A). These employment gains would reflect increased labor demand in intensive orchards, postharvest handling, processing, logistics, and supporting services, given the labor-intensive nature of fruit and berry production and its linkages with the broader economy.

4.5 Summary of Constraints and Recommendations

Table 4.1

Policy Recommendations to Remove Impediments to Private Investment in Fruits and Berries Production and Processing

	Constraints	Recommended actions	Responsible public sector entities
	Land access and land use		
1	**Procedural uncertainty in land allocation and land-use decisions delays investment and undermines predictability.**	Standardize land allocation and land-use procedures through amendments to existing implementing resolutions under the Land Code. Establish binding decision deadlines, require written explanations for delays, and define next steps for overdue approvals. Simplify procedures and improve coordination with local authorities.	Cabinet of Ministers and Ministry of Water Resources, Agriculture and Processing Industry (MWRAPI), in coordination with the State Agency for Land Resources and local self-government bodies.
2	**Onerous land repurposing requirements limit investment in essential agricultural infrastructure.**	Introduce a simplified, predictable mechanism for repurposing land for essential agricultural infrastructure, including cold storage facilities, packhouses, logistics centers, irrigation reservoirs, and other water infrastructure. Clarify zoning and cadastral requirements and establish procedures proportionate to project scale.	Cabinet of Ministers and MWRAPI, in coordination with relevant sectoral ministries and local self-government bodies.
	Certification, standards, and input regulation		
3	**Insufficient accredited laboratory and conformity assessment capacity increases compliance costs and limits access to higher-value export markets.**	Establish clear accreditation procedures, adopt validated testing methods and quality management systems, ensure participation in proficiency testing programs, and align accreditation frameworks with international recognition arrangements to enable ISO/IEC 17025 accreditation for export-relevant testing. Prioritize multiresidue pesticide analysis, microbiological food safety testing, and phytosanitary diagnostics.	MWRAPI, National Accreditation Body, and Kyrgyzstandart.

(Table continues next page)

Table 4.1

Fruit and Berry Production and Processing *(continued)*

	Constraints	Recommended actions	Responsible public sector entities
4	**Lengthy and restrictive registration and approval procedures for agrochemicals, fertilizers, and biological inputs delay access to modern agricultural technologies.**	Introduce risk-based approval pathways for agrochemicals, fertilizers, and biological inputs registered under internationally recognized regulatory systems. Eliminate duplicative local testing requirements and clarify equivalence criteria in implementing regulations.	MWRAPI.
5	**Unclear and inconsistent value added tax (VAT) treatment of anti-hail nets, trellises, and drip irrigation systems increases investment costs.**	Establish a uniform list of goods for existing VAT exemptions when used in agricultural production, including anti-hail nets, trellis systems, and drip irrigation systems, and their components. Ensure consistent application of existing tax provisions without introducing new fiscal incentives.	State Tax Service.
	Postharvest and cold-chain infrastructure		
6	**Insufficient postharvest and cold-chain infrastructure undermines the bankability of downstream private investments.**	a. Designate cold-chain and agroprocessing infrastructure as a priority category within permitting and approval systems to enable coordinated review and faster administrative processing. b. Introduce simplified, proportionate, and time-bound permitting procedures for storage, cooling, and freezing facilities, with fewer approval steps and binding processing timelines. c. Clarify technical and sanitary requirements for small and medium cold storage and processing facilities to reduce compliance uncertainty and investment risk.	MWRAPI, in coordination with local self-government bodies and relevant technical regulators.
	Aggregation and cooperative governance		
7	**Weak safeguards for investment contributions in cooperative models discourage private capital.**	Amend the Law on Cooperatives and the model cooperative charter to introduce investor-member status and differentiated participation rights, including mechanisms to protect capital contributions.	MWRAPI, in coordination with the Ministry of Justice.



5 Trout Aquaculture

AT A GLANCE

- The Kyrgyz Republic has significant potential for trout aquaculture, supported by high-altitude lakes, abundant cold-water resources, and hydropower infrastructure suited to cage and pond production. Despite rapid growth, output is still well below estimated sustainable potential, while strong demand in neighboring Eurasian Economic Union markets offers opportunities for expansion into higher-value processed and certified products.
- Private investment is constrained by regulatory uncertainty, weak aquatic animal health and input controls, and gaps in export compliance. Key barriers include unclear environmental and siting procedures, inadequate disease surveillance and biosecurity, limited controls on imported ova and aquafeed, and weaknesses in residue testing, certification, traceability, and product aggregation.
- Implementing coordinated siting procedures and aquaculture-specific environmental impact assessments, tightening controls over imported ova, feed quality, and veterinary medicines, and ensuring more reliable export testing, certification, and traceability could reduce investor risks, improve regulatory compliance, and facilitate scaling into higher-value domestic and export markets.
- These reforms could generate up to US$70 million in private investment in trout aquaculture and associated feed production and create up to 8,400 more and better-paid jobs over the medium term. Increased production could also improve food availability, strengthen rural livelihoods, and enhance sector competitiveness.

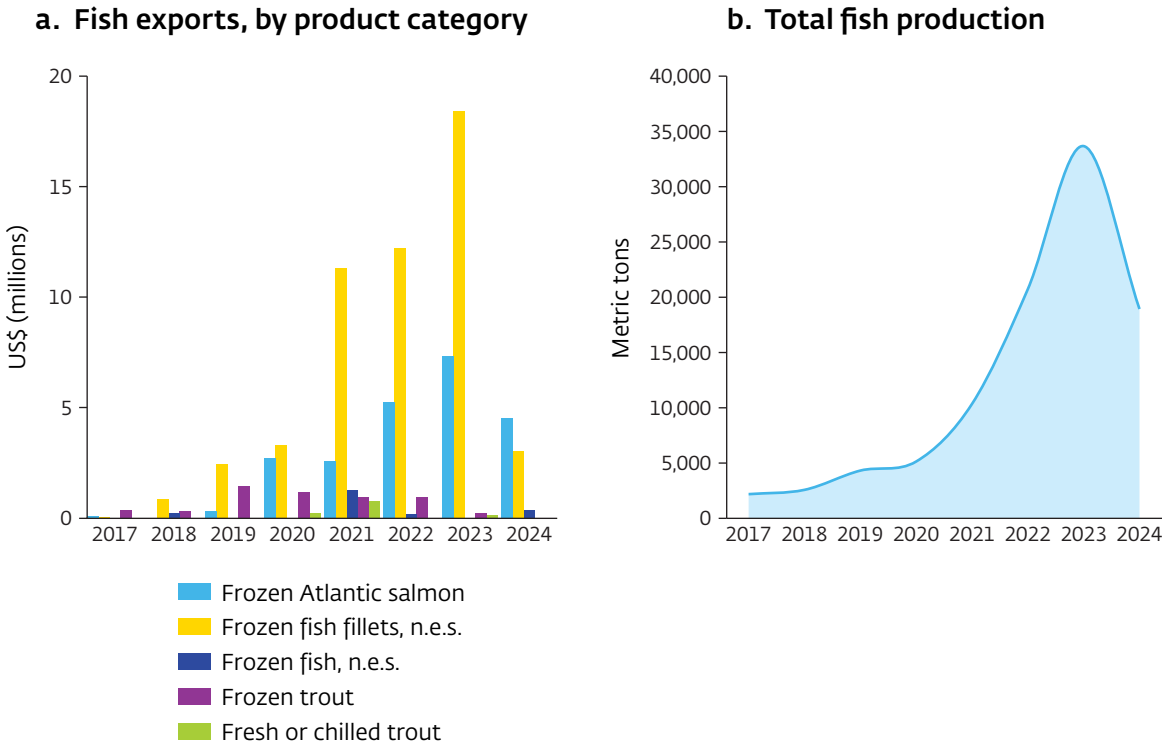
5.1 Sector Context and Private Investment Potential

Over the past decade, aquaculture has emerged as one of the fastest-growing segments of the agrifood sector in the Kyrgyz Republic, driven primarily by trout production.[87] National fish production reached approximately 33,700 metric tons in 2023 (figure 5.1), with exports totaling 5,556 tons, valued at roughly US$26 million, primarily to Kazakhstan, the Russian Federation, and Uzbekistan.[88] Between 2018 and 2023, domestic output grew at an estimated compound annual growth rate (CAGR) of 67 percent, far outpacing Kazakhstan's 25 percent. Trout accounted for more than 65 percent of annual aquaculture production volume over 2021–23, underscoring its central role in the sector's expansion.[89]

The Kyrgyz Republic has strong natural advantages for expanding trout aquaculture. High-altitude lakes and reservoirs, consistent cold-water inflows, and substantial hydropower infrastructure provide favorable conditions for rainbow trout, a cold-water

Figure 5.1

Fish Production Expanded despite a Sharp Decline in Exports in 2024



Source: Based on data from ITC Trade Map and FAO FishStat.
Note: n.e.s. = not elsewhere specified.

salmonid, particularly in cage and pond systems.[90] The Food and Agriculture Organization of the United Nations (FAO) National Aquaculture Sector Overview identifies more than 1,800 hectares of ponds and numerous reservoirs and rivers suitable for aquaculture.[91] Despite these advantages, only a portion of the available pond and reservoir areas is actively used, partly because of unresolved constraints related to water rights, land access, and environmental safeguards.

Domestic fish consumption remains exceptionally low. Fish and seafood consumption in the Kyrgyz Republic has been well below both the regional average and the average for landlocked developing countries (figure 5.1). According to FAO, fish and seafood accounted for just 0.5 percent of daily per capita protein intake during 2019–23, one tenth of the global average of about 5 percent.[92] Meanwhile, overweight and obesity rates among both children and adults exceed Asian and global averages, pointing to imbalanced dietary patterns.[93] Increasing fish consumption could contribute to more diverse, nutrient-rich diets. From a private investment perspective, low consumption should not be interpreted as weak demand potential but rather as an opportunity for substantial potential for domestic market growth as incomes rise, diets diversify, and aquaculture processing capacity expands. Greater production of lower-priced species, such as carp, and processed fish products that are easier to store and distribute, could support market expansion and improve access to dietary protein, strengthening the sector's development impact alongside its commercial potential.

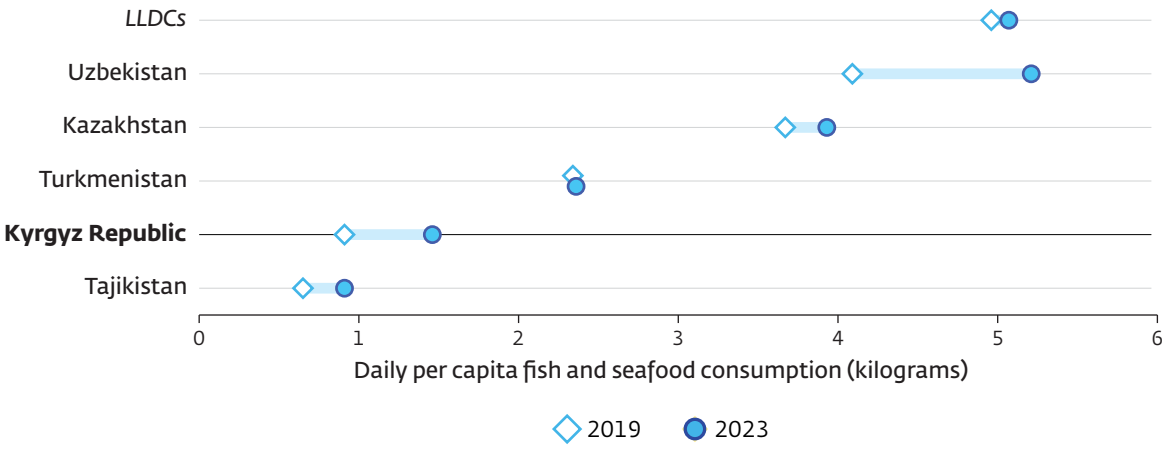
This Country Private Sector Diagnostic (CPSD) focuses primarily on trout because it is the most commercially developed aquaculture segment and offers the strongest private investmentpotential. However, the identified policy and institutional constraints apply to aquaculture more broadly. Improvements in regulation, fish health management, traceability, and site access could also support the formalization and expansion of lower-priced farmed species, increase domestic fish consumption, and strengthen the sector's contribution to nutrition, food security, and inclusive growth.

Regional demand trends are favorable for trout exports. Trout export values grew at a CAGR of more than 97 percent between 2018 and 2023, making trout the country's fastest-growing aquaculture export. As a member of the Eurasian Economic Union (EAEU), the Kyrgyz Republic benefits from tariff-free access to large consumer markets in Kazakhstan and the Russian Federation. Fish and seafood imports into Central Asia (excluding the Kyrgyz Republic) grew at a CAGR of 19.6 percent between 2019 and 2024.[94] In the Russian Federation, overall seafood imports grew modestly, while trout imports increased at a CAGR of 24.9 percent over the same period. Unrealized export potential for trout alone is estimated at about US$62 million.[95] Addressing investment constraints could position Kyrgyz producers to expand exports of chilled, processed, and certified trout products that command premium prices.

Despite strong regional demand, the sharp decline in trout exports in 2024 (figure 5.2) exposed weaknesses in the compliance systems supporting Kyrgyz trout exports. The disruption was largely driven by the Russian Federation's suspension of trout imports from the Kyrgyz Republic after repeated detections of prohibited and harmful substances in exported trout and trout caviar. In February 2023, Russia's Federal Service for Veterinary and Phytosanitary Surveillance requested that Kyrgyz veterinary authorities suspend certification of trout and trout caviar shipments from all Kyrgyz enterprises to Russia.[96] By July 2024, Kyrgyz authorities reported that the restrictions had been lifted following bilateral engagement, subject to compliance with technical requirements including improvements in traceability, laboratory controls and testing, and verification of veterinary export documentation. For investors, the episode highlighted broader risks in the trout value chain: export competitiveness depends not only on expanding production and processing capacity but also on credible systems for sanitary control, residue monitoring, certification, and traceability. Weaknesses in these systems increase the risks of shipment rejection, temporary loss of market access, reputational damage, and higher compliance costs in the sector's largest regional market. Subsequent technical discussions indicated that weaknesses in export documentation and certification persisted even after trade resumed.[97]

Figure 5.2

Fish and Seafood Consumption in the Kyrgyz Republic is Lower Than in Regional and Comparator Countries



Source: FAOSTAT.
Note: LLDCs = landlocked developing countries.

5.1.1 *Trout Aquaculture Value Chain*

The trout value chain is fragmented and only partially formalized. The number of fish farms increased rapidly alongside rising production, but the sector remains dominated by small-scale operators and a large informal segment. In 2022, the Department of Fisheries Industry Complex registered 319 farms, while an estimated 1,200 additional farms were unregistered. Among registered farms, only 3.4 percent reported annual production capacity exceeding 100 metric tons, while 253 farms reported capacity below 50 metric tons. By 2025, the number of registered aquaculture farms had increased by approximately 70 percent, although they still accounted for only about one-third of operational farms.[98] Despite growth in farm numbers and output, the large informal base constrains the development of fish health services, processing capacity, and compliance systems needed for a more competitive and investment-ready industry.

Trout production systems are generally well established, but producers depend heavily on imported feed and fertilized eggs. Feed is the largest cost component in trout farming, accounting for approximately 50–60 percent of production costs, making producers, particularly smaller and less capitalized farms, sensitive to feed prices and supply conditions.[99] In 2025, the sector imported more than 10,000 metric tons of aquafeed valued at about US$22.8 million, with import volumes consistently high since 2023.[100] Domestic feed manufacturing is also expanding. In December 2025, Tian Shan Trout LLC completed a new aquafeed plant in the Chui region, following a reported investment of about US$7 million, with installed capacity of approximately 100–120 tons per day.[101] However, domestic manufacturing growth has not been accompanied by an adequate aquafeed-specific quality assurance framework or systematic monitoring.[102] Testing parameters and thresholds are reportedly determined on a case-by-case basis at producers' request.[103] These gaps increase the risk of substandard feed entering the market, potentially undermining production outcomes, fish health, and environmental sustainability. Inadequate standards and enforcement governing feed quality and additives, including veterinary medicines, also increase uncertainty for trout farmers and limit domestic feed manufacturers' ability to demonstrate product quality, compete fairly, and attract investment for expansion.

The hatchery segment faces similar gaps in formal oversight. The Kyrgyz Republic has 13 registered hatcheries, most of which rely on imported eyed ova rather than maintaining domestic broodstock.[104] This production model is common in the region and is not, in itself, a major constraint. Importing fertilized eggs allows hatcheries to avoid the costs and technical complexity of maintaining broodstock while accessing high-quality genetic material. The more significant constraint is weak veterinary and biosecurity controls governing these imports. Although imported ova are formally subject to disease and sanitary certification, import permits, and customs procedures, enforcement is limited,

while monitoring and quarantine measures are largely absent. As a result, imported ova can serve as a pathway for introducing and spreading aquatic animal diseases. These risks are compounded by the absence of standardized biosecurity certification for hatcheries and insufficient oversight of veterinary medicine use, increasing production risks and undermining investor confidence.

These upstream weaknesses are closely linked to broader gaps in fish health management and veterinary capacity. In 2022, an FAO-commissioned diagnostic survey conducted by the Fish Disease Research Unit at the University of Veterinary Medicine Hannover confirmed the presence of several serious salmonid viruses in Kyrgyz trout farms, including viral hemorrhagic septicemia virus, infectious hematopoietic necrosis virus, and infectious pancreatic necrosis virus. Farms in the Tokmok area were particularly affected, with some closing following extensive fish mortality. The survey also found inconsistent biosecurity and fish health management practices, while disease responses reportedly included inappropriate and unauthorized antibiotic use, despite antibiotics being effective against bacterial rather than viral infections. These weaknesses contributed to production losses and compliance failures that preceded the Russian Federation's temporary suspension of Kyrgyz trout and caviar imports in 2023, highlighting broader gaps in regulation, oversight, and veterinary control. An FAO-supported action plan for monitoring aquatic animal diseases has been developed to address these gaps, but its implementation as a national operating program is still incomplete.[105] Until the plan is fully implemented, disease surveillance, outbreak response, and farm-level biosecurity controls are likely to be uneven, increasing production uncertainty for producers and investors.

Specialized fish health personnel are also in short supply, although capacity-building efforts are under way. FAO reported in 2024 that a shortage of veterinary specialists able to provide diagnostic services and veterinary certification for fish and fish products constrained farmers' ability to respond to disease outbreaks.[106] In response, FAO's 2025 support program provided targeted training in fish disease diagnostics, introduced standard operating procedures for disease diagnostics that were incorporated in regulatory frameworks, and strengthened laboratory infrastructure and equipment.[107] The planned National Center for Aquaculture and Fisheries Development is expected to provide a longer-term training platform for aquaculture specialists.[108] However, these efforts are still at an early stage, and shortages in practical expertise in fish pathology, disease diagnostics, and farm-level advisory services constrain routine surveillance, biosecurity oversight, and knowledge transfer to producers.

Downstream value addition has not kept pace with the rapid expansion of trout production. Most trout in the Kyrgyz Republic are still marketed live or chilled, while processing capacity is limited and concentrated in a few facilities developed by larger producers primarily to process their own fish. Processing activities include basic handling

and preservation, such as gutting, chilling, freezing, and hot and cold smoking, while more advanced processing is limited.[109] Recently announced investments focus on smoked, dried, and lightly salted fish, canned products, and semifinished goods.[110] However, small and medium producers (producing 50 metric tons or less annually) have limited access to processing and cold-chain services, restricting their ability to reach markets.

Larger farms with processing facilities are often unable to source from smaller producers because fish, inputs, and production histories cannot be linked through a single, verifiable chain of records, although traceability and veterinary certification are essential for access to EAEU markets for products of animal origin.[111] Although Kyrgyz legislation provides for the identification and traceability of animals and products of animal origin, including fish, and the Ministry of Water Resources, Agriculture and Processing Industry (MWRAPI) has adopted rules for recording fish and aquaculture output, the regulatory framework does not provide for an operational end-to-end traceability system for export-oriented trout value chains.[112] In particular, it lacks uniform group or lot identifiers and standardized minimum data requirements to track fish from ova through grow-out, harvest, processing, and export.[113] Institutional responsibilities are also fragmented, with fisheries authorities overseeing sector administration and farm-level regulation, while the Veterinary and Phytosanitary Surveillance Service (VPSS) is responsible for veterinary control, product certification, veterinary medicine oversight, and feed quality assurance. Data entry, validation, audit trails, and export document verification are therefore insufficiently integrated into a single interoperable system.[114] As a result, exporters rely on proprietary traceability systems covering only their own production, limiting aggregation from smaller farms, constraining processing scale, and weakening incentives for private investment in downstream trout processing.

5.1.2 *Policy Environment*

Government policy toward aquaculture has become more operational and investment-oriented. Law No. 35 of 2021 and associated regulations provide the core legal framework for aquaculture, governing the use of water bodies, protection of aquatic biological resources, and compliance with veterinary, sanitary, and environmental requirements, including controls on live fish and fertilized eggs.[115] The Fisheries and Aquaculture Development Program for 2025–29 translates this framework into three concrete priorities: (a) developing small-scale and sport fisheries; (b) supporting aquaculture producers and value chain development through improved production inputs, biosecurity, aquatic animal health, and culture-based fisheries; and (c) strengthening sector management through improved planning and management systems.[116] These priorities are supported by the 2023–27 food and processing industry program, which adopts a cluster approach backed by an implementation plan, budget, and monitoring

matrix. The program identifies fish as a priority cluster and provides concessional financing to aggregators, producers, processors, and trade logistics actors.[117]

However, elements of the regulatory framework are not adequately adapted to aquaculture investment. Environmental approval of aquaculture activities is governed by the general framework for ecological expertise and environmental impact assessment (EIA), established under Law No. 54 of 1999 and Government Resolution No. 60 of 2015.[118] Although these instruments apply broadly to activities involving water abstraction, wastewater discharge, and land use, they do not explicitly define aquaculture as a distinct regulated activity. The absence of aquaculture-specific screening criteria and thresholds creates uncertainty over when a full EIA is required versus when simplified procedures would suffice. In practice, this ambiguity can lead to inconsistent application of environmental requirements, administrative delays, and higher transaction costs for investors, while limiting regulators' ability to apply proportionate, risk-based oversight.

Land access presents a related challenge because of fragmented land and water governance. The State Enterprise on Land Management and the Department of Fisheries Industry Complex (DoFIC) have developed an Aquaculture and Fisheries Geographic Information System (GIS) hub to identify water bodies suitable for aquaculture. However, the GIS tool does not resolve regulatory barriers to securing commercially usable sites. Rights to use a water body for aquaculture do not automatically confer rights to adjacent land needed for ponds, buildings, and other farm infrastructure.[119] Many technically suitable sites for pond-based aquaculture and related facilities are located on pastureland or forest fund land, which are subject to separate legal regimes. Pastureland is governed by the Law on Pastures (Law No. 30 of 2009), which prioritizes communal pasture management and assigns key decision-making responsibilities to local pasture institutions. Forest fund land is governed by the Forest Code of 1999, as amended.[120] Securing access to a commercially viable aquaculture site therefore requires multiple approvals across different levels of government for both water bodies and adjacent land, resulting in lengthy procedures, uncertainty over site availability, and increased investment risks.[121]

5.2 Constraints to Private Investment and Recommendations

5.2.1 *Environmental Approval, Investment Entry and Siting*

CONSTRAINT 1. The absence of aquaculture-specific screening criteria creates regulatory uncertainty over when a full EIA is required and when simplified procedures apply.

RECOMMENDATION 1A. Establish aquaculture-specific EIA screening criteria. Amend Government Resolution No. 60 of 2015 to introduce screening criteria based on production capacity, farm area, resource use, and environmental sensitivity. Establish thresholds distinguishing low-, medium-, and high-risk aquaculture projects, with full EIAs required for large-scale, intensive, or environmentally sensitive developments.

RECOMMENDATION 1B. Introduce simplified EIA procedures for low- and medium-risk aquaculture projects. Amend Government Resolution No. 60 of 2015 to establish simplified procedures based on standardized checklists and environmental management plans. These plans should specify mitigation measures, good operating practices, and basic monitoring requirements.[122]

CONSTRAINT 2. Fragmented land and water-use regimes limit access to commercially viable aquaculture sites.

RECOMMENDATION 2. Establish a coordinated aquaculture siting application process covering land access, water use, and related approvals. Allow investors to submit a single application for coordinated review by the relevant pasture, forestry, water, environmental, and local government authorities, with standard documentation, defined review timelines, and a consolidated clearance package. Amend Cabinet Resolution No. 301 of 2025 and Decree No. 192 of 2018 to explicitly recognize aquaculture as an eligible use of pastureland and forest fund land.

5.2.2 *Biosecurity and Input Controls*

CONSTRAINT 3. Weak import controls for fertilized trout eggs increase biosecurity risks, exposing producers and investors to disease-related losses, production disruptions, and export compliance risks.

RECOMMENDATION 3A. Adopt formal import risk analysis procedures for fertilized trout ova. Establish procedures consistent with World Organisation for Animal Health standards to determine permitted source countries, required health assurances, and risk mitigation measures for imports.

RECOMMENDATION 3B. Establish mandatory quarantine and postarrival clearance procedures for imported fertilized trout ova. Require imported ova to be transported directly from the border to a preapproved quarantine incubation unit operated by the importer or receiving hatchery. Prohibit further distribution or release into domestic production until the VPSS issues written clearance. Quarantine procedures should include disinfection upon arrival, physical separation from domestic stocks, daily mortality monitoring, and diagnostic testing when abnormal mortality or other signs suggest

infection. Make quarantine and postarrival clearance legal conditions of the import permit and veterinary certification.

CONSTRAINT 4. Gaps in enforceable aquafeed quality standards and monitoring increase the risk of substandard feed entering the market.

RECOMMENDATION 4A. Establish enforceable aquafeed quality and safety standards based on the Codex Code of Practice on Good Animal Feeding.[123] Require aquafeed producers and importers to comply with good manufacturing practices, hazard analysis and critical control points–based controls, minimum product specifications, limits on contaminants, feed additives, and prohibited substances, and standardized labeling requirements.

RECOMMENDATION 4B. Implement a routine, risk-based national aquafeed sampling and testing program under the technical regulation on the safety of feed and feed additives. The VPSS should establish the sampling plan, coordinate sample collection, and enforce corrective actions. The Center for Veterinary Medicines and Feed Additives should conduct routine laboratory testing for nutrient composition, key contaminants, feed additives, veterinary drug residues, and prohibited substances. The program should specify sampling frequency, testing parameters, designated laboratories, and enforcement measures for noncompliance, including product recalls and sanctions.

5.2.3 *Food Safety, Traceability, and Export Readiness*

CONSTRAINT 5. Weak aquaculture-specific controls on veterinary medicines and residue testing undermine export market access.

RECOMMENDATION 5A. Amend the regulation on the circulation of veterinary medicines approved under Cabinet Resolution No. 106 of 2025 and the aquaculture veterinary and sanitary rules approved under Order No. 201-ni of 2023 to establish specific controls on antibiotics and other veterinary medicines used in aquaculture. The amended rules should provide for:

1. A list of veterinary medicines and medicated feeds authorized for aquaculture, restricted to approved species and indications;
2. Veterinary prescriptions based on documented diagnoses, with recorded withdrawal periods;
3. Explicit prohibition of use for growth promotion and routine prophylaxis; and
4. Mandatory farm treatment records and residue controls for fish placed on the market.

RECOMMENDATION 5B. Establish destination-specific export protocols for trout in regulated markets. Consolidate and operationalize existing export control requirements within the veterinary and EAEU frameworks. Establish procedures specifying, for each target market, eligible export establishments, registration requirements, health certificates and supporting documents, preshipment residue screening and sampling requirements, and consignment approval and clearance procedures. Initially prioritize China and the Russian Federation,[124] given their specific establishment approval, certification, and market access requirements.

RECOMMENDATION 5C. Introduce mandatory preshipment residue testing for trout export consignments until the official control system consistently demonstrates compliance. Once compliance is established, adjust testing frequency according to a risk-based sampling plan.

CONSTRAINT 6. Limited implementation of an interoperable traceability system constrains aggregation and commercial sourcing from smaller farms.

RECOMMENDATION 6. Implement the fish traceability module within the national system and unified electronic fisheries register. Implementation should include:

1. Ensure complete and interoperable registration of all trout value chain operators;
2. Implement mandatory group and lot identification for fish and fish products across farming, harvesting, and processing;
3. Define minimum data requirements for each production and processing stage; and
4. Establish rules for splitting and merging lots during processing.

5.3 Risks to Be Managed

Cumulative environmental pressures will need to be actively managed as trout aquaculture expands. This risk is particularly relevant to the freshwater basin and flow-through production systems used in the Kyrgyz Republic, where water drawn from springs or streams passes through farms before being discharged into downstream water bodies. As reforms facilitate new investment and the expansion of existing operations, discharges containing nutrients, organic waste, suspended solids, and other contaminants could accumulate along shared rivers and streams. Even where individual farm impacts are manageable, multiple farms within the same catchment could progressively affect downstream water quality and aquatic ecosystems. Because these impacts may emerge gradually and vary with production levels and hydrological conditions, managing them will

require ongoing environmental monitoring and adjustments to operating requirements where deterioration is observed.

Carrying capacity assessments[125] will need to be strengthened to guide site allocation and production limits. These assessments should inform planning and licensing decisions by estimating the aggregate production that specific lakes, reservoirs, rivers, or pond systems can sustain before additional farms or expansions are approved. Without robust, periodically updated assessments, streamlined environmental approvals and siting procedures could lead to the concentration of development in commercially attractive locations, potentially exceed ecological limits even where individual projects comply with applicable requirements. Managing this risk will require stronger data collection and analytical capacity, as well as closer coordination among the DoFIC, the Water Resources Service, and the Ministry of Natural Resources, Ecology and Technical Supervision.

5.4 Impact on Private Investment and Jobs

Implementing the proposed recommendations could unlock up to US$70 million in private investment in Kyrgyz trout aquaculture by 2031 and create up to 8,400 more and better-paid jobs. The lower bound of the estimate is based on International Trade Centre's assessment of unrealized trout export potential, while the upper bound is based on the government's 2029 fish export target. The projected impacts reflect growth in export capacity and domestic consumption, enabling higher production volumes and more efficient use of available water resources. As production expands, investment in farming operations and associated feed production could create jobs and value addition across the aquaculture value chain. This growth could strengthen rural livelihoods, improve food availability, and support a more competitive and export-oriented aquaculture sector. A summary of the methodology used to estimate investment and employment impacts is presented in appendix A.

5.5 Summary of Constraints and Recommendations

Table 5.1

Policy Recommendations to Remove Impediments to Private Investment in Trout Aquaculture

	Constraints	Recommended actions	Responsible public sector entities
1	**Unclear environmental approval and environmental impact assessment (EIA) requirements create regulatory uncertainty for aquaculture investments.**	a. Amend Government Resolution No. 60 of 2015 on the procedure for evaluating environmental impact to establish aquaculture-specific EIA screening criteria based on production capacity, farm area, resource use, and environmental sensitivity. b. Amend Government Resolution No. 60 of 2015 to introduce simplified EIA procedures for low- and medium-risk aquaculture projects based on standardized checklists and environmental management plans.	Ministry of Natural Resources, Ecology and Technical Supervision; Department of Fisheries Industry Complex (DoFIC).
2	**Fragmented land and water-use regimes limit access to commercially viable aquaculture sites.**	Establish a coordinated aquaculture siting application process covering land access, water use, and related site approvals.	Cabinet of Ministers; MWRAPI.
3	**Weak import controls for fertilized trout eggs increase biosecurity risks.**	a. Adopt formal import risk analysis procedures for fertilized trout ova, consistent with World Organisation for Animal Health standards. b. Require imported fertilized trout ova to be transported directly from the border to a preapproved quarantine incubation unit, with distribution prohibited until the Veterinary and Phytosanitary Surveillance Service (VPSS) issues written clearance.	VPSS; Center for Veterinary Diagnostics and Expertise; DoFIC.
4	**Gaps in enforceable aquafeed quality standards and monitoring increase the risk of substandard feed entering the market.**	a. Establish aquafeed quality and safety standards based on the Codex Code of Practice on Good Animal Feeding. b. Implement a routine, risk-based national aquafeed sampling and testing program under the technical regulation on the safety of feed and feed additives.	VPSS; Center for Veterinary Medicines and Feed Additives; Center for Veterinary Diagnostics and Expertise.

(Table continues next page)

Table 5.1

Policy Recommendations to Remove Impediments to Private Investment in Trout Aquaculture *(continued)*

	Constraints	Recommended actions	Responsible public sector entities
5	**Weak aquaculture-specific controls on veterinary medicines and residue testing undermine export market access.**	a. Amend Cabinet Resolution No. 106 of 2025 and Order No. 201-ni of 2023 to establish aquaculture-specific controls on antibiotics and other veterinary medicines. b. Establish destination-specific trout export protocols based on existing export control requirements. c. Introduce mandatory preshipment residue testing for trout export consignments until consistent compliance is demonstrated, followed by risk-based sampling.	VPSS; Center for Veterinary Diagnostics and Expertise; Center for Veterinary Medicines and Feed Additives.
6	**Limited implementation of an interoperable aquaculture traceability system constrains aggregation and sourcing from smaller farms.**	Operationalize the fish traceability module within the national system and unified electronic fisheries register, including interoperable operator registration, lot identification, and standardized data requirements.	VPSS; DoFIC.



6 Garment Manufacturing

AT A GLANCE

- The garment manufacturing sector is one of the Kyrgyz Republic's largest private employers and offers significant potential for private investment. Flexible production by small and medium enterprises, rapid design-to-market capabilities, and preferential access to Eurasian Economic Union markets position the sector to benefit from growing regional demand for fast fashion and e-commerce driven retail.
- Private investment is constrained by widespread informality, limited testing and certification capacity, unpredictable export logistics and transit conditions, and persistent skill shortages.
- Attracting private investment will require stronger accredited testing and certification services, more predictable road and air export logistics, industry-aligned technical and digital training, and labor-market reforms that support flexible short-term hiring and predictable access to foreign technical workers.
- Over the medium term, these reforms could catalyze up to US$78 million in private investment and create up to 14,400 more and better-paid jobs in garment manufacturing, strengthening firm competitiveness, and improved compliance with export-market requirements.

6.1 Sector Context and Investment Potential

Garment manufacturing is an important segment of light manufacturing in the Kyrgyz Republic, combining a relatively modest contribution to gross domestic product (GDP) with a significant role in employment, entrepreneurship, and exports. Between 2020 and 2024, the sector contributed roughly 1.2 percent of GDP and employed more than 39,000 workers, accounting for about 13 percent of manufacturing employment (figure 6.1). This makes it one of the country's largest industrial employers, particularly for women and lower-skilled workers, and an important entry point for labor-intensive private investment.

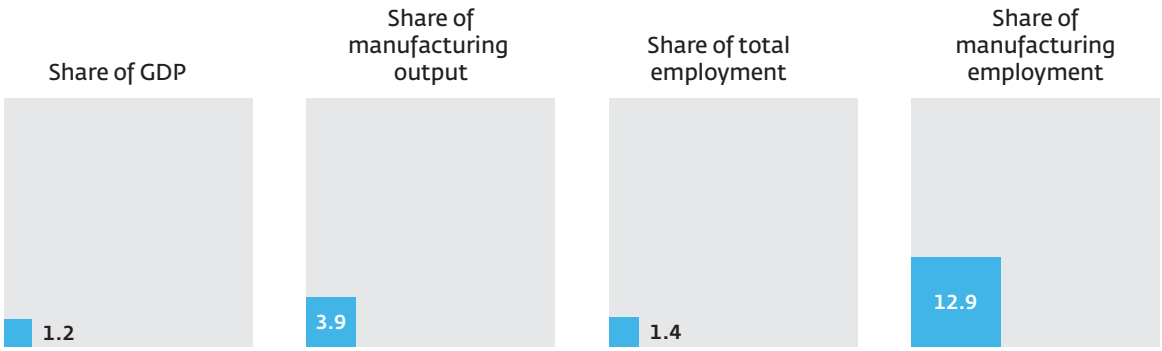
The Kyrgyz Republic's comparative advantage in garment manufacturing lies in its ability to serve regional markets through flexible production by small and medium enterprises (SMEs), emphasizing shorter production runs, rapid turnaround, and small-batch manufacturing rather than large-scale, vertically integrated production.

Unlike Uzbekistan, which benefits from an integrated cotton-to-textile value chain[126] and large-scale production, or Bangladesh and China, which dominate standardized mass-market apparel, Kyrgyz manufacturers specialize in downstream garment assembly, with most firms operating under a cut-make-trim (CMT) model using imported fabrics. This production structure enables firms to respond quickly to changing buyer requirements,

Figure 6.1

Garment Manufacturing Contributes Modestly to GDP but Accounts for a Significant Share of Manufacturing Employment

Textile and garment sector shares, average 2022–24 (%)



Source: Calculations based on data from NSC KR.
Note: GDP = gross domestic product.

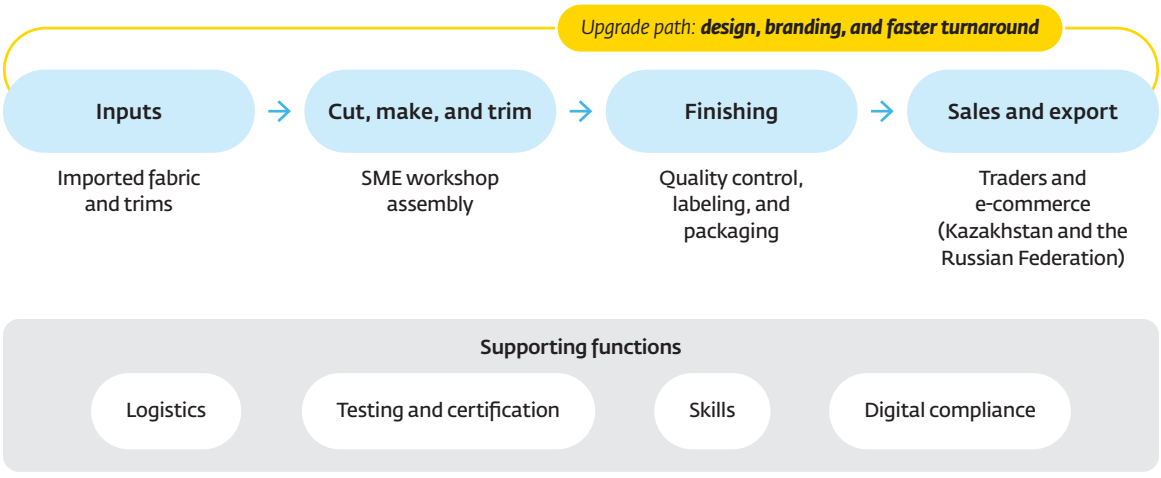
replenish inventories more frequently, customize designs, and produce smaller orders that may be uneconomical for large-scale manufacturers. The sector's decentralized production base also enables firms to serve differentiated market segments and respond to fast-moving trends, which are increasingly relevant to regional buyers and online sales channels.

Recent export trends suggest growing competitiveness in woven garments (Harmonized System [HS] code 62),[127] with export growth outpacing that of knitted apparel (HS code 61). This segment is well suited to the country's decentralized SME production model, which emphasizes frequent style changes, smaller production runs, and flexibility rather than standardized, large-scale manufacturing. Combined with preferential access to Eurasian Economic Union (EAEU) markets and geographic proximity to Kazakhstan and the Russian Federation, these capabilities position the Kyrgyz Republic to compete in fast fashion, private-label production, modest fashion, and other design-driven segments where speed, flexibility, and responsiveness are more important than scale or low unit costs. The strongest opportunities for private investment therefore lie in downstream garment manufacturing (figure 6.2), particularly woven apparel, alongside design, production management, branding, compliance, and digital sales channels, rather than capital-intensive upstream textile production.

The sector is export-oriented but concentrated in the markets of Kazakhstan and the Russian Federation. Combined woven and knitted apparel exports reached approximately US$82 million in 2025. However, export performance has varied across product segments. Woven apparel exports grew by about 57 percent between 2019 and 2025, from

Figure 6.2

Kyrgyz Garment Manufacturing Value Chain



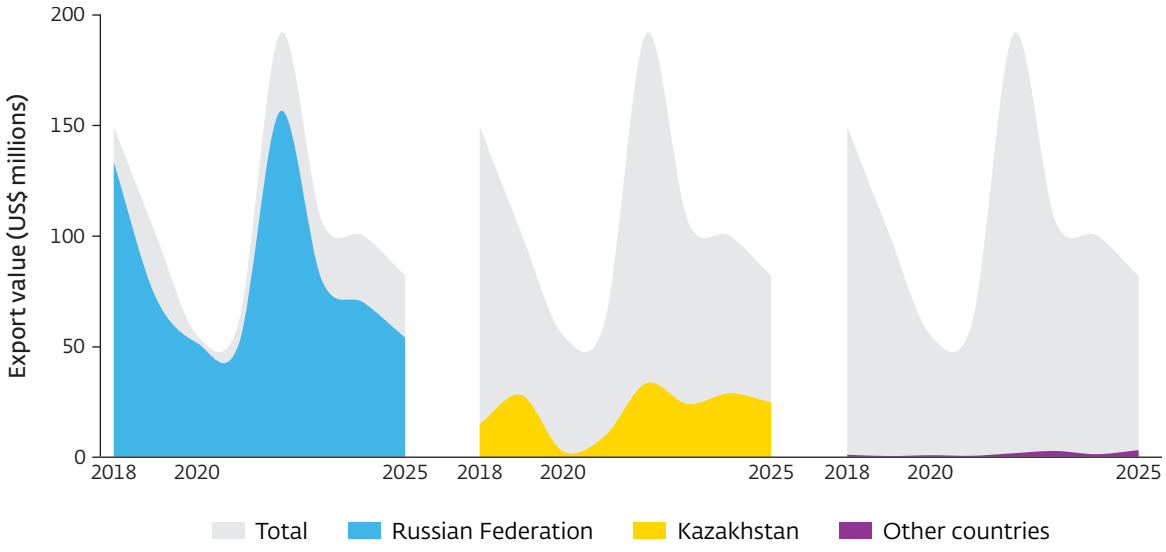
Note: SME = small and medium enterprise.

approximately US$26 million to US$41 million, while knitted apparel exports nearly halved over the same period, from US$75 million to US$41 million. Over 2019–25, combined apparel exports (HS codes 61 and 62) totaled approximately US$698.2 million, of which the Russian Federation accounted for 77 percent and Kazakhstan for 22 percent (figure 6.3). This concentration creates vulnerability to regulatory changes, transit disruptions, and demand fluctuations in these markets. In late 2025, garment shipments from the Kyrgyz Republic to the Russian Federation were disrupted by tighter Russian controls over labeling, proof of EAEU origin, documentation, and value added tax administration. The resulting border delays exposed the risks associated with heavy dependence on a few markets and trade routes, as well as informal production (box 6.1).

Informality is a major barrier to private investment in Kyrgyz garment manufacturing, contributing to an opaque, fragmented production structure and limiting access to formal markets. Although official figures put sector employment at 39,000, estimates suggest that the sector employed more than 128,000 people in 2024,[128] including informal workers. Among informal garment workers, 61.9 percent worked under verbal agreements, only 19.5 percent reported that their employer was legally registered, and 85.6 percent worked in firms with fewer than 50 employees. These figures reflect a fragmented production base dominated by small workshops and subcontracting arrangements.[129] Such structures are poorly suited to the social audits,[130] supplier due

Figure 6.3

Kyrgyz Garment Exports Were Volatile and Concentrated in the Russian Federation



Source: UN Comtrade.

Box 6.1

Single-Market Exposure and Informality: Lessons from the 2025 Export Disruption

The disruption experienced by the Kyrgyz garment sector in late 2025 illustrates the vulnerability created by heavy dependence on the Russian market and widespread informality. The disruption was triggered by tighter Russian enforcement of value added tax obligations, digital labeling requirements, and customs compliance procedures, exposing the weaknesses in a sector where many producers rely on informal production and intermediary trading arrangements. Exporters unable to demonstrate compliance faced disruptions to shipments and payments. Government negotiations with Russian counterparts helped stabilize the situation, but the episode highlighted the risks of a growth model characterized by informality and market concentration as export destinations tighten compliance and traceability requirements. Greater market diversification and formalization will be essential to sustaining export competitiveness and market access.

diligence, and traceability systems increasingly required in garment value chains. As labeling, certification, accounting, and electronic documentation requirements tightened in the Russian Federation and on online marketplaces,[131] firms unable to demonstrate compliant production and origin faced reduced access to formal sales channels. This reinforced dependence on low-margin regional CMT production and reduced incentives to invest in upgrading, branding, and new export markets.

Inadequate export quality infrastructure increases costs and discourages private investment. An International Trade Centre survey of more than 300 Kyrgyz companies found that 58 percent of exporters faced regulatory and procedural trade obstacles. Domestic testing and certification capacity is also limited, with the Center for Standardization and Metrology under Kyrgyzstandart estimated to meet only 60–70 percent of sector needs.[132] Its services are concentrated in traditional natural-fiber fabrics, with limited testing capacity for synthetic and semisynthetic materials increasingly used in garment production. As a result, firms must send samples to laboratories in Kazakhstan and the Russian Federation to obtain EAEU compliance certification (TR CU 017/2011), increasing transaction costs and extending lead times by up to a month or more. Certification costs increase by approximately US$250 per certificate or US$500–2,000 per product line. These recurring costs disproportionately affect the SMEs that dominate the sector, reducing margins, limiting responsiveness to buyer orders, and weakening the commercial viability of export upgrading.

Dependence on overland transit through Kazakhstan exposes Kyrgyz garment exporters to risks that are difficult to account for in commercial contracts and

constrain export expansion. With nearly all apparel exports destined for Kazakhstan and the Russian Federation, exporters face recurring inspections, temporary control measures, and prolonged queues at border crossings. These vulnerabilities were particularly evident in autumn 2025, when truck queues stretching several kilometers at the Syrym-Mashtakovo and Zhana Zhol checkpoints highlighted insufficient border infrastructure capacity. Although shipments between Bishkek and Moscow typically take 4–14 days, transit times can be considerably longer and less predictable[133] because of tighter inspections, unresolved EAEU coordination issues, and weaknesses in customs and border management. The EAEU's electronic navigation seal (ENS) system,[134] introduced in 2026 to improve cargo traceability and facilitate transit, excludes most woven apparel (HS code 62) shipments traded between EAEU member states, limiting its potential to simplify these movements. Limited awareness and adoption may further constrain its effectiveness. Consequently, garment exporters continue to face high working-capital requirements and delivery risks, weakening buyer confidence. For a sector competing on short production and delivery cycles, these delays are commercially significant. International evidence suggests that each additional day of delay can reduce trade volumes by at least 1 percent,[135] while unpredictable delivery times can expose garment manufacturers to order cancellations and contractual penalties.

Limited access to internationally recognized laboratory accreditation constrains diversification into higher-value markets beyond the EAEU.[136] Although the Kyrgyz Center of Accreditation (KCA) is a signatory to the International Laboratory Accreditation Cooperation Mutual Recognition Arrangement (ILAC MRA) and accredits domestic laboratories under ISO/IEC 17025, the Kyrgyz Republic has limited capacity for specialized textile and apparel testing to meet the technical, chemical safety, and performance requirements of major export markets. Domestic institutions do not offer the full range of testing and certification services needed to demonstrate compliance with EU REACH requirements or obtain certification under voluntary international textile standards and certification schemes such as OEKO-TEX and GOTS. As a result, firms must obtain some of these services from internationally accredited or scheme-approved providers abroad. These limitations are compounded by weak traceability, insufficient compliance documentation from upstream suppliers, and fragmented procedures across public agencies.[137] Together, these constraints increase working-capital requirements, extend export preparation by four to eight weeks, and reinforce dependence on lower-margin EAEU subcontracting, discouraging investment in more sophisticated products and diversified export markets.

Operational weaknesses in the Teksher and Honest Mark digital labeling system increase compliance costs and create export risks for garment manufacturers. Compliance with product traceability and labeling requirements has become increasingly important for access to the Russian market. In the Kyrgyz Republic, garment manufacturers must register products individually through the Teksher digital labeling

system and apply QR codes to each item before shipment. However, frequent platform outages, limited technical support during peak shipping periods, and cumbersome registration procedures create operational bottlenecks and increase compliance costs, particularly for SMEs. These difficulties can delay shipments, reduce supply chain predictability, and weaken the competitiveness of Kyrgyz exporters in time-sensitive apparel markets.

Limited access to consolidated air freight constrains export diversification and expansion among Kyrgyz garment manufacturers. The Kyrgyz Republic's Aviation Rules APKR-20 establish general cargo transportation requirements but do not explicitly provide procedures for consolidating shipments from multiple exporters into a single consignment. This regulatory gap creates uncertainty for freight forwarders seeking to offer pooled export services, while individual exporters often lack sufficient volumes to use air freight independently. Yet opportunities exist to develop this channel. Manas International Airport has direct passenger connections to Dubai, United Arab Emirates and Istanbul, Türkiye, with largely unused return cargo capacity, both of which serve as gateways to Gulf and European markets. Products such as niche felt goods, embellished modest-fashion items, and urgent replenishment orders for boutique and e-commerce buyers may have sufficiently high value-to-weight ratios and time sensitivity to justify higher air freight costs.

The Kyrgyz Republic's formal technical and vocational education and training system produces too few garment-trained workers with the skills required by industry. Only one national university and four vocational colleges in Bishkek—the country's main production hub—offer garment-specific training, despite a national network of 71 vocational colleges covering 125 occupations, including relevant specializations. Publicly available data on graduates by specialization are limited, complicating workforce planning, while much of the sector's workforce receives informal on-the-job training. Centralized school governance slows curricula updates, institutions lack instructors with industry experience and access to industry-standard machinery, and private participation in program design is minimal and poorly structured. Formal mechanisms for aligning training with industry needs are also weak.

Reforms to address these gaps are still incomplete. The National Qualifications Framework, adopted in 2020, was intended to align professional standards, educational standards, and training programs, but sectoral qualifications frameworks and professional standards are underdeveloped.[138] The 2024 model for state educational standards relies on professional standards "if available," while workplace learning was formally regulated nationwide only in July 2024, following limited piloting.[139] As a result, firms bear substantial onboarding and skills development costs, discouraging capacity expansion, technology adoption, and investment in higher-value export segments in a sector already constrained by low labor productivity.[140]

The garment sector faces structural labor shortages as regulatory rigidities and poor working conditions make jobs less attractive to local workers.[141] Labor migration, particularly to Kazakhstan and the Russian Federation, is substantial, with remittances equivalent to about 30 percent of GDP.[142] Competition from trade and construction further constrains labor supply, while low wages, precarious working conditions, and limited access to social protection in informal employment contribute to high turnover.[143] The Labor Code of the Kyrgyz Republic is poorly adapted to order-driven production, increasing compliance costs and discouraging formal hiring. In particular, the absence of simplified contracting arrangements for short-term production work may encourage informal employment and limit workers' access to employment-based social protection.

Weak labor formalization and compliance with labor standards create operational and reputational risks for private investment. The garment sector in the Kyrgyz Republic is highly informal, with many workers employed in small workshops, home-based production, and through verbal arrangements. An International Labour Organization (ILO) survey[144] found that 61.9 percent of textile and garment workers worked under verbal rather than written arrangements, while only 19.5 percent reported working for legally registered enterprises. Earlier ILO assessments identified significant "decent work deficits" associated with informality and working conditions. Informal employment limits access to social protection and skills development while creating compliance and reputational risks for firms seeking to participate in formal regional and international value chains. These risks may discourage private investment, particularly from buyers and investors requiring traceable supply chains and compliance with labor standards.

On January 1, 2025, the Kyrgyz Republic introduced a single foreign work permit through the eVisa single-window system, replacing the previous multistep work visa and work permit process.[145] Applications are submitted through the eVisa portal rather than the interdepartmental commission. The government also increased the foreign labor quota to 42,000[146] in 2025, from 25,000 in 2023. By April 30, 2025, more than 12,000 foreign specialists had received single permits, indicating uptake of the formal recruitment process. Among permit recipients, Bangladesh and Pakistan ranked second and third, respectively, as source countries, highlighting the growing role of South Asian workers in formal recruitment.

Weak enforcement of foreign worker authorization requirements creates uncertainty for Kyrgyz garment manufacturers investing in recruitment and training. Industry representatives report that unauthorized employment of foreign workers by firms other than their sponsoring employers has become increasingly common, reducing incentives to invest in workforce development.[147]

Under the temporary regulations approved by Cabinet Resolution No. 721, a Single Permit is employer-specific and nontransferable.[148] However, foreign workers may be authorized to work for up to three organizations simultaneously, with one designated as their primary employer. A second or third firm may therefore employ the same foreign worker only by obtaining its own permit. In practice, however, firms can bypass this requirement at relatively low cost, as Article 93 of the Code of Offenses imposes a fine of approximately US$740 on legal entities.[149] By comparison, the Russian Federation imposes substantially higher penalties for employment outside permit terms, including fines up to about US$10,000 for legal entities and possible administrative suspension of operations for 14–90 days.[150] Weak enforcement thus creates uncertainty for firms investing in the formal recruitment and training of foreign workers, reducing incentives for long-term workforce development.

6.2 Constraints to Private Investment and Recommendations

CONSTRAINT 1. Transit uncertainty along the Kazakhstan–Russian Federation corridor undermines delivery reliability and increases investment risks for export-oriented apparel firms.

RECOMMENDATION 1A. Expand ENS coverage to all garment products, including woven apparel (HS code 62). Work through the Eurasian Economic Commission (EEC) to amend the list of goods covered under EEC Board Decision No. 84, adopted pursuant to the EAEU Navigation Seals Agreement, to include woven apparel under HS code 62 (6201–6217). Extending the coverage to woven apparel would align transit facilitation measures with the Kyrgyz Republic's comparative advantage in woven garment manufacturing and support upgrading into higher-value exports.

RECOMMENDATION 1B. Implement a targeted ENS awareness and adoption program for the garment sector. Support industrywide adoption through a coordinated outreach program led by Kyrgyz Export, in partnership with JSC State Customs Infrastructure, the State Tax Service, and industry associations. The program should provide practical guidance on compliance requirements, installation procedures, costs, exporter and carrier responsibilities, and the benefits of ENS for reducing transit risks. Activities could include sector-specific guidance materials, information sessions, online resources, and a support hotline for exporters, freight forwarders, and transport operators.

CONSTRAINT 2. Inadequate domestic certification and testing services increase costs and lengthen certification timelines for textile and garment exporters.

RECOMMENDATION 2A. Upgrade a domestic textile laboratory to provide ISO/IEC 17025–accredited testing services for garment exports. The Ministry of Economy and Commerce should use the planned textile and apparel testing laboratory as an anchor facility and, in coordination with Kyrgyzstandart and the Kyrgyz Center of Accreditation, prioritize ISO/IEC 17025 accreditation for testing services needed by garment exporters seeking access to higher-value markets.

RECOMMENDATION 2B. Establish a digital one-stop conformity assessment[151] system with transparent service standards. Kyrgyzstandart should integrate Tunduk, the Tulpar Single Window, accredited laboratories, and certification bodies into a unified digital workflow that allows exporters to submit documents once, automatically route applications, track progress online, and receive status updates. The system should provide market-specific guidance on applicable standards, testing requirements, documentation, fees, timelines, and service providers. The Ministry of Economy and Commerce should establish and publish maximum processing times for each stage of domestic conformity assessment, requiring Kyrgyzstandart, accredited laboratories, and certification bodies to issue decisions or request additional information within those periods. Delayed cases should trigger automatic notification and escalation for supervisory review to improve transparency, predictability, and reduce compliance costs.

CONSTRAINT 3. Unreliable digital labeling systems and burdensome procedures increase compliance costs and reduce export predictability for garment manufacturers.

RECOMMENDATION 3A. Establish mandatory service standards for the Teksher and Honest Mark platforms to improve reliability and responsiveness. Introduce service-level agreements specifying system availability and technical support requirements, including around-the-clock call-center support during peak shipping periods. Regularly monitor and publish platform uptime indicators to improve transparency and reduce operational risks for exporters.

RECOMMENDATION 3B. Introduce simplified and bulk QR code registration procedures for digital labeling. Enable batch generation and processing of QR codes for garment consignments to reduce the administrative burden of item-by-item registration. Prioritize SMEs and exporters handling large production volumes.

CONSTRAINT 4. Limited access to consolidated air cargo services at Manas International Airport constrains smaller exporters' access to time-sensitive markets. Existing procedures do not clearly define who may consolidate shipments, documentation requirements for individual exporters, the allocation of security and customs responsibilities, or airline acceptance procedures for consolidated cargo.

RECOMMENDATION 4A. Amend APKR-20 to authorize freight forwarders and cargo agents to consolidate shipments from multiple exporters at Manas International Airport. Allow registered freight forwarders and cargo agents to combine shipments into a single air cargo consignment under a master air waybill[152] while maintaining electronic shipment-level records for each exporter.

RECOMMENDATION 4B. Establish standard operating procedures for consolidated export cargo at Manas International Airport. The airport, airlines, ground handlers, the State Customs Service, and the Civil Aviation Authority should adopt procedures covering booking deadlines, electronic data submission, cargo acceptance and weighing, security screening, secure storage, customs processing, and cargo handover milestones, including freight-on-hand and ready-for-carriage status.

CONSTRAINT 5. Labor regulations limit firms' ability to respond to short-term production peaks and export orders, constraining private investment in garment manufacturing.

RECOMMENDATION 5. Introduce simplified fixed-term employment contracts for temporary garment production. The Ministry of Labor, Social Security and Migration should amend the Labor Code[153] to establish a distinct fixed-term production contract of up to 60 days for temporary factory employment linked to export orders or seasonal production peaks. Amend Article 18 to recognize short-term production contracts as a lawful fixed-term category, Article 17 to simplify contract requirements, and Article 20 to permit electronic execution and bulk registration of individual contracts through a digital platform.

CONSTRAINT 6. Weak enforcement of employer-specific work permit requirements creates uncertainty for firms investing in the recruitment and training of foreign workers.

RECOMMENDATION 6A. Strengthen enforcement of employer-specific work permit requirements. Amend Article 93 of the Code of Offenses to explicitly prohibit employment of foreign workers without the necessary employer-specific authorization and establish penalties that deter noncompliance.

RECOMMENDATION 6B. Digitize monitoring of employer-specific work permits. Integrate employer and permit verification into the eVisa and work permit systems and introduce risk-based inspections to identify unauthorized employment while minimizing compliance costs for legitimate businesses.

RECOMMENDATION 6C. Establish a transparent procedure for changing employers under the Single Permit regime. Allow foreign workers to change employers through a

simplified notification or permit transfer process, requiring the new employer to obtain the necessary authorization before employment begins. This would preserve labor mobility while maintaining the integrity of the employer-specific work permit system.

6.3 Risks to Be Managed

Labor and social compliance risks stem from the sector's high level of informality and fragmented production structure. Much of garment production takes place in small workshops and through subcontracting arrangements where workers often lack formal contracts, social protection, and access to effective grievance mechanisms. Women and youth account for a significant share of the workforce, particularly in lower-skilled production roles, increasing their exposure to insecure employment and limited workplace protections. Weak labor inspection capacity and limited union representation further constrain the monitoring and enforcement of labor standards.

Growing reliance on migrant labor, combined with weak enforcement and informal recruitment practices, increases risks of worker exploitation, labor disputes, and reputational damage for firms seeking to participate in formal value chains. These conditions also complicate supply chain traceability and verification of labor and product standards, creating reputational, operational, and market access risks for private investment as buyers increasingly require transparent and compliant supply chains.

Additionally, environmental risks arise from inadequate waste management and resource-intensive production practices. Unmanaged textile waste, including illegal dumping and burning, contributes to urban air pollution. Inefficient energy use, inadequate chemical handling, and limited wastewater treatment further increase environmental and public health risks.

6.4 Impact on Private Investment and Jobs

Targeted reforms could remove significant barriers to private investment in Kyrgyz garment manufacturing, particularly by improving firms' ability to meet export certification, digital labeling, traceability, and destination-market compliance requirements. Over the medium term, implementing the recommendations in this report could unlock up to US$78 million in private investment and create up to 14,400 more and better-paid jobs. These investments could strengthen firm competitiveness, support employment growth, and improve integration into regional export markets.

6.5 Summary of Constraints and Recommendations

Table 6.1

Policy Recommendations to Remove Impediments to Private Investment in Garment Manufacturing

	Constraints	Recommended actions	Responsible public sector entities
1	**Transit uncertainty along the Kazakhstan–Russian Federation corridor undermines delivery reliability and increases investment risks for export-oriented apparel firms.**	a. Expand electronic navigation seal (ENS) coverage to all garment products, including woven apparel (HS code 62). b. Implement a targeted ENS awareness and adoption program for the garment sector.	State Customs Service; Ministry of Economy and Commerce, including Kyrgyz Export; in coordination with State Customs Infrastructure and Kazakh counterparts.
2	**Inadequate domestic certification and testing services increase costs and lengthen certification timelines for textile and garment exporters.**	a. Upgrade a domestic textile laboratory to provide ISO/IEC 17025–accredited testing services for garment exports. b. Establish a digital one-stop conformity assessment system with transparent service standards.	Ministry of Economy and Commerce; Kyrgyzstandart.
3	**Unreliable digital labeling systems and burdensome procedures increase compliance costs and reduce export predictability for garment manufacturers.**	a. Establish mandatory service standards for the Teksher and Honest Mark platforms to improve reliability and responsiveness. b. Introduce simplified and bulk registration procedures for QR codes.	Ministry of Economy and Commerce; Alfa Telecom.
4	**The absence of clear procedures for consolidating air cargo shipments limits smaller exporters' access to time-sensitive markets.**	a. Amend APKR-20 to authorize freight forwarders and cargo agents to consolidate shipments from multiple exporters at Manas International Airport. b. Establish standard operating procedures for consolidated export cargo at Manas International Airport.	Civil Aviation Authority; State Customs Service; Manas International Airport.

(Table continues next page)

Table 6.1

Policy Recommendations to Remove Impediments to Private Investment in Garment Manufacturing *(continued)*

	Constraints	Recommended actions	Responsible public sector entities
5	**Labor regulations limit firms' ability to respond to short-term production peaks and export orders, constraining investment in garment manufacturing.**	Introduce simplified fixed-term employment contracts for temporary garment production linked to export orders and seasonal production peaks.	Ministry of Labor, Social Security and Migration.
6	**Weak enforcement of employer-specific permit requirements and unauthorized employment of foreign workers create uncertainty for firms investing in recruitment and training.**	a. Amend Article 93 to explicitly prohibit employment of foreign workers without the necessary employer-specific authorization and establish penalties that deter noncompliance. b. Integrate employer and permit verification into the eVisa and work permit systems and introduce risk-based inspections to identify unauthorized employment while minimizing compliance costs for legitimate businesses. c. Establish a simplified notification or permit-transfer process for foreign workers changing employers, and require new employers to obtain the necessary authorization before employment begins.	Ministry of Foreign Affairs; Ministry of Internal Affairs; Ministry of Labor, Social Security and Migration.

Appendix

Appendix A

Estimates of Potential Increases in Private Investment and Employment

A.1. Nature-Based Tourism

This report presents indicative estimates of potential private investment and job creation in nature-based tourism accommodation in the Kyrgyz Republic under a scenario in which policy and regulatory reforms enable greater private participation and expansion of tourism capacity. The analysis estimates the additional accommodation supply that could be supported by projected demand growth and the associated implications for private investment and employment over the next five years, relative to a 2025 baseline. The estimates illustrate the potential scale of additional private investment and employment under the assumptions described in this section. Given uncertainty surrounding tourism demand, reform implementation, and investor response, the results should be interpreted as indicative rather than as forecasts. All investment estimates are expressed in constant 2026 US dollars.

The estimates combine a bottom-up investment model with the More and Better Jobs (MBJ) value-added approach. The investment model links projected nature-based tourism demand to additional accommodation capacity and facility-level costs. Direct employment is estimated using facility-level employment parameters, while indirect and induced employment is estimated using the MBJ value-added approach, which translates incremental value added from sector expansion into employment supported through supply-chain and economy-wide linkages. The methodology draws on sector-specific

multipliers from the 2023 Global Trade Analysis Project (GTAP) input-output tables and value added per worker benchmarks.

A.1.1 *Private Investment*

Approach and methodology. The investment assessment applies a bottom-up model to estimate the additional accommodation capacity required to meet projected demand under a reform scenario. The analysis begins with projected visitor growth and estimates the share of visitors engaging in nature-based tourism. It then derives the subset requiring structured accommodation, based on assumptions about travel behavior, including average length of stay and the proportion requiring formal lodging.

Projected visitor numbers are converted into bed-night demand and accommodation capacity requirements using assumptions on nature-based tourism participation, the share requiring structured accommodation, length of stay, occupancy, average facility size, and investment cost per facility.

Assumptions. The analysis is based on demand, operational, and technical assumptions reflecting tourism patterns and plausible development trajectories in the Kyrgyz Republic. The 2005 baseline includes approximately 10.5 million border crossings by foreign citizens, with annual growth assumed at 10 percent under the reform scenario, compared with approximately 3 percent under the no-reform baseline. The higher growth assumption represents the tourism growth trajectory modeled under the reform scenario.

Because official visitor statistics are based on border crossings and include regional travel, transit, and visits to friends and relatives, the model applies additional assumptions to identify the shares of visitors engaging in nature-based tourism, requiring structured accommodation, and requiring new or upgraded accommodation capacity. The share engaging in nature-based tourism is assumed to increase gradually from 25 percent in 2026 to 35 percent by 2030, compared with a constant 20 percent under the baseline scenario. This reflects improved market positioning and product development, while recognizing that official visitor statistics include a large share of regional and other travel that may not generate demand for nature-based tourism services.

Of visitors engaging in nature-based tourism, 30 to 40 percent are assumed to require structured accommodation, while approximately 35 percent are assumed to require new or upgraded accommodation capacity beyond existing supply. These assumptions are intended to avoid overstating tourism infrastructure demand, recognizing that many nature-based visitors are day visitors or use existing accommodation stock.

Operational assumptions include an average stay of four days and a target occupancy rate of 65 percent throughout the projection period. The occupancy assumption balances

commercial viability against the highly seasonal nature of tourism in the Kyrgyz Republic. Significantly higher occupancy rates would be difficult to sustain throughout the year, while substantially lower rates would weaken investment viability.

Facility-level parameters, including investment costs and capacity, are informed by inputs gathered from tourism operators and workshop participants across key destinations, including Naryn, Karakol, Jyrgalan, Issyk-Kul, Osh, Chon-Alai, and Sary-Mogol. These inputs serve as reference points rather than formal survey data. They indicate an average facility size of approximately 34 beds, an average investment requirement of about US$247,000 per facility, and average employment of approximately 17 workers per facility, including seven permanent positions.

Results. Under a reform scenario that enables stronger growth in nature-based tourism and improved investor confidence, incremental private investment in accommodation is estimated at up to US$220 million over five years relative to the baseline trajectory. The estimate covers the construction of new accommodation facilities and upgrades to existing ones. It excludes potential investments in restaurants, guiding services, transport, retail, and other tourism-related businesses that could also benefit from tourism growth.

The estimate is incremental to a business-as-usual scenario assuming approximately 3 percent annual visitor growth and annual private tourism investment of about US$50 million.

A.1.2 *Employment*

Approach and methodology. Job creation potential is estimated using a bottom-up approach for direct employment and the MBJ value-added methodology for indirect and induced employment. Direct employment estimates are based on facility-level operating data gathered through consultations and workshops with local tourism operators, including employment intensity, staffing structures, and seasonality patterns.

These inputs indicate an average of approximately 17 workers per facility, including permanent and seasonal workers. For modeling purposes, employment is expressed on an annualized basis, equivalent to approximately four full-time-equivalent (FTE) jobs per 10 beds. The two figures therefore represent different employment measures.

Indirect and induced employment is estimated using the MBJ value-added approach, which captures employment supported by incremental value added generated through tourism-related economic activity.

Results. Although reliable estimates of employment specifically associated with nature-based tourism are unavailable, official tourism statistics report an average of 12,600

employees in the tourism sector in 2025. This figure likely understates total tourism employment because of the prevalence of seasonal, informal, and community-based tourism activities.

The official employment figure and the modeled employment impact are not directly comparable. The former reflects measured employment in the tourism sector, whereas the latter includes incremental direct, indirect, and induced employment expressed in FTE terms. The official figure is therefore presented for context rather than as the baseline against which the modeled employment impact is calculated.

Under the reform scenario, the expansion of accommodation capacity is estimated to generate up to 20,800 more and better-paid jobs by the end of the five-year projection period relative to the baseline. This estimate includes direct, indirect, and induced FTE employment.

A.2. Fruit and Berry Value Chain

This analysis presents indicative estimates of potential private investment and job creation in the fruit and berry value chain in the Kyrgyz Republic under a scenario in which policy and regulatory reforms enable greater private participation and value chain upgrading. The estimates cover a five-year period and capture incremental impacts relative to a 2025 baseline trajectory without reforms. All investment estimates are expressed in constant 2026 US dollars.

The estimates combine a bottom-up capacity-expansion model for investment with a hybrid employment approach. Investment is linked to physical expansion in orchards, processing, and cold storage. Direct employment is estimated using segment-specific labor coefficients, while indirect and induced employment is estimated using the MBJ value-added approach.

A.2.1 *Private Investment*

Approach and methodology. Total investment is calculated as the sum of orchard establishment, additional processing capacity, and cold storage expansion. Production scenarios reflect changes in cultivated area and yields, while downstream capacity requirements are derived from the assumed shares of production processed and stored.

Assumptions. The analysis is based on demand, production, and technical assumptions reflecting sector conditions and plausible development trajectories in the Kyrgyz Republic. Baseline production is estimated at approximately 400,000 metric tons, with a cultivated area of about 68,000 hectares and average yields of around 6 metric tons per hectare.

A critical structural constraint is the low level of value addition. Processing rates are estimated at approximately 1–2 percent of total production under the baseline scenario, reflecting limited processing capacity and a strong reliance on fresh sales. Under reform scenarios, this share is assumed to increase to 5 percent in moderate scenarios and up to 8 percent under more ambitious reforms, still below regional peers.

Cold storage coverage is similarly limited, estimated at approximately 4–5 percent of production under the baseline scenario. Expansion scenarios assume gradual increases to 7–10 percent, reflecting improved access to finance and investment in cold-chain infrastructure.

Unit investment costs are based on survey data, project evidence, and international benchmarks. Orchard establishment costs are estimated at approximately US$15,000 per hectare, while processing and cold storage investments are estimated at around US$1,500 per ton of processing capacity and US$700 per ton of storage capacity, respectively. These assumptions are broadly consistent with observed projects in the Kyrgyz Republic and comparable markets. The analysis also considers alternative production, processing, and investment scenarios to account for uncertainty surrounding reform implementation and investor response.

Results. Under a reform scenario that enables greater private participation and value chain upgrading, incremental private investment in the fruit and berry sector is estimated at up to US$250 million over five years relative to the baseline trajectory without reforms.

The estimate covers the establishment and upgrading of orchards, expansion of processing capacity, and development of cold storage infrastructure. Orchard-related investment accounts for the largest share, reflecting the substantial capital requirements for land preparation, irrigation, planting materials, initial establishment, and supporting farm infrastructure.

This investment composition should not be interpreted as prioritizing extensive expansion of cultivated area. Consistent with the sector analysis, growth will increasingly depend on productivity improvements, reduced postharvest losses, and greater processing and cold-chain capacity to support higher-value production and exports.

A.2.2 *Employment*

Approach and methodology. Job creation potential is estimated using a bottom-up approach that links physical investment to employment outcomes across the value chain. Direct employment is calculated using sector-specific labor coefficients applied to expansion in production, processing, and cold storage. Indirect and induced employment is

estimated using the MBJ value-added approach, which captures employment supported by additional economic activity generated through additional value added in the sector.

Employment is expressed in FTE terms, converting seasonal and part-time labor into annualized equivalents. The estimates represent sustained FTE jobs supported at the end of the five-year projection period rather than cumulative job-years.

Direct employment includes jobs in on-farm production, processing, and cold storage, while indirect and induced employment reflects additional activity among suppliers, logistics providers, service businesses, and other linked activities.

Results. A directly comparable estimate of employment specifically in the fruit and berry value chain is unavailable. The modeled employment impact should therefore be interpreted as incremental employment supported relative to the baseline scenario rather than as a percentage increase over measured sector employment.

Under the reform scenario, expansion in production, processing, and cold-chain infrastructure is estimated to generate up to 24,000 more and better-paid FTE jobs by the end of the five-year projection period relative to the baseline. This estimate includes direct, indirect, and induced employment.

Employment gains would occur across on-farm production, processing, cold storage, suppliers, logistics, and related services, highlighting the sector's strong potential to generate additional employment, particularly in rural areas.

A.3. Trout Aquaculture

By 2031, the proposed reforms could generate approximately US$29–70 million in cumulative private investment, supporting an additional 10,300–24,900 metric tons of annual trout production valued at approximately US$81–191 million. This expansion could support approximately 3,500–8,400 more and better-paid jobs, including direct employment in trout farming and indirect employment through value chain linkages. All investment estimates are expressed in constant 2026 US dollars.

The estimates combine a top-down demand approach with bottom-up investment and employment methodologies. Incremental export and domestic demand is converted into physical output and output value. Investment requirements are estimated separately for fish farms and domestic feed production using project-level benchmarks. Direct employment is estimated using farm-level employment-to-output ratios, while indirect employment is derived using sector-specific value-added multipliers.

A.3.1 *Scenarios*

Conservative growth scenario. This scenario assumes that trout exports reach the International Trade Centre's (ITC) estimated export potential of approximately US$66 million in 2026 prices by 2030, increasing to US$80 million by 2031. Domestic freshwater fish consumption is assumed to converge toward the average for landlocked developing countries. Relative to the no-reform counterfactual, this would generate approximately 10,300 metric tons of additional annual trout output, valued at US$81 million, and require about US$29 million in cumulative investment, including US$28 million in fish farms and US$1 million in feed production.

Ambitious growth scenario. This scenario benchmarks export growth against the government's 2029 fish export target and assumes that domestic freshwater fish consumption converges toward Uzbekistan's recent average. Relative to the no-reform counterfactual, this would generate approximately 24,900 metric tons of additional annual trout output by 2031, valued at US$191 million, and require about US$70 million in cumulative investment, including US$68 million in fish farms and US$3 million in feed production.

A.3.2 *Assumptions*

Baseline and export growth. The no-reform counterfactual assumes that trout exports grow at the 2019–24 compound annual growth rate (CAGR) of 22.1 percent, reaching approximately US$37 million by 2031, while domestic freshwater fish consumption reaches the Central Asian average. The conservative and ambitious scenarios use the ITC's 2030 unrealized trout export potential and the government's 2029 fish export target, respectively, projected to 2031 using the same historical growth rate.

Domestic consumption. The conservative scenario assumes convergence toward the average for landlocked developing countries, while the ambitious scenario assumes convergence toward Uzbekistan's recent average by 2031. Domestic trout consumption as a share of freshwater fish consumption is assumed to remain broadly consistent with the 2021 level of around 45 percent. The model estimates domestic demand supplied by Kyrgyz trout production as domestic production minus exports[154] and scales this amount to reflect the assumed increase in freshwater fish consumption.

Output value. Incremental export and domestic volumes are valued separately using their respective market prices.

Investment intensity. Investment requirements are estimated using an itemized approach rather than a single aggregate investment-to-revenue ratio. For fish farms, the model applies an investment-to-output ratio derived from farm and project benchmarks

in the Kyrgyz Republic and comparable markets in Armenia and Georgia. Investment in feed production is estimated using benchmarks from comparable aquafeed projects and the additional domestic feed demand associated with expanded trout production. The model assumes that the existing balance between imported and domestically produced feed is broadly unchanged. Imported feed is assumed to have a feed conversion ratio of 1.0, compared with 1.2 for domestically produced feed.

Jobs. Historical sector-level employment data specifically for trout aquaculture are unavailable. Direct employment impacts are therefore estimated using farm-level employment and production data from trout operations in the Kyrgyz Republic, benchmarked against comparable operations in Azerbaijan and Georgia, and applied to projected additional output. Indirect jobs are estimated using sector-specific value-added multipliers derived from the 2023 GTAP input-output tables and national employment data.

A.4. Garment Manufacturing

By 2031, the reforms could generate approximately US$40–78 million in cumulative private investment, supporting US$64–125 million in additional annual garment output. The expansion could support approximately 7,300–14,400 more and better-paid jobs and 700–1,400 part-time jobs. All investment estimates are expressed in constant 2026 US dollars.

The estimates combine output projections with investment and employment benchmarks under two approaches. The domestic production approach estimates additional output in selected garment categories relative to a no-growth counterfactual. The export-growth approach estimates additional exports of knitted apparel (HS code 61) and nonknitted apparel (HS code 62) relative to a no-reform scenario in which exports remain at their 2025 level, reflecting tighter Russian import, certification, labeling, origin, and documentation requirements. Incremental output is converted into investment using an apparel sales-to-invested-capital benchmark.

A.4.1 *Scenarios*

Domestic production approach. The counterfactual holds 2031 production at 2024 levels for selected categories reported by the National Statistical Committee of the Kyrgyz Republic (NSC KR), including men's and women's outerwear, underwear, and hosiery. Under the reform scenario, production grows at each category's historical CAGR for 2019–24. Categories with negative historical growth are assumed to generate no incremental output. Incremental production is valued using category-specific unit values from UN

Comtrade. This approach yields an estimated US$64 million in additional annual output, US$40 million in cumulative investment, approximately 7,300 more and better-paid jobs, and 700 part-time jobs by 2031.

Export-growth approach. The counterfactual holds HS 61 and HS 62 exports at their 2025 level of US$82 million (equivalent to US$91 million in 2026 prices) through 2031. Under the reform scenario, export growth resumes in 2027 following an implementation period during which firms adapt to certification, labeling, traceability, and documentation requirements. Exports subsequently grow at a rate derived from recent garment export performance, reaching US$216 million by 2031. The resulting US$125 million in incremental exports would require approximately US$78 million in cumulative investment and support about 14,400 more and better-paid jobs and 1,400 part-time jobs.

A.4.2 *Assumptions*

Output and investment. Domestic output gains are valued using category-specific unit values from UN Comtrade, while export gains are measured against the constant-export counterfactual. Investment requirements are estimated using the sales-to-invested-capital ratio for the apparel industry in emerging markets, based on Damodaran's January 2026 industry data set.[155]

Employment. Direct employment impacts are estimated using employment and output data from Kyrgyz garment manufacturers and cross-checked against NSC KR data. The firm-level approach is used for reporting because it more directly reflects observed production and employment relationships.

Official sectoral employment figures and the modeled impacts are not directly comparable. The former reflect measured employment in the textile and garment sector, while the modeled estimates capture incremental direct, indirect, and induced employment expressed in FTE terms. Official employment figures are therefore used for context and cross-checking rather than as the baseline for calculating modeled employment impacts.

Indirect and induced employment is estimated using garment-sector value chain linkages from the 2023 GTAP input-output tables and national gross domestic product and employment data.

Notes

1. WDI.
2. WDI.
3. IMF (2026); World Bank (2026).
4. WDI.
5. WDI.
6. World Bank (2025).
7. Ibid.
8. IMF (2025).
9. Ibid.
10. UNCTAD Data Hub.
11. Repeated fiscal and regulatory changes culminated in state seizure and international arbitration (US Department of State 2024).
12. UNCTAD Investment Dispute Settlement Navigator.
13. IFC (2021).
14. Ibid.
15. UNDP (2023).
16. IFC, MSME Finance Gap database, March 2025.
17. IMF (2025).
18. IEG (2023); IMF (2025).
19. Ayyagari, Demirgüç-Kunt, and Maksimovic (2011); Alibhai, Bell, and Conner (2017).
20. IMF (2025).
21. ILO (2023).
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26. World Bank Group (2023).
27. "Water, Sanitation, and Hygiene," UNICEF, https://www.unicef.org/kyrgyzstan/water-sanitation-hygiene; World Bank Group (2023).
28. World Bank Logistics Performance Index.
29. World Bank (2025).
30. "Land Code of the Kyrgyz Republic," ECOLEX, https://www.ecolex.org/details/legislation/land-code-of-the-kyrgyz-republic-lex-faoc018073/; "Law of the Kyrgyz Republic of January 26, 2009 No. 30 on Pastures," CIS Legislation, https://cis-legislation.com/document.fwx?rgn=26302.
31. US Department of State (2025).
32. World Bank (2025).
33. WDI.
34. World Bank (2022).
35. Tourism's current contribution of 3.8 percent of GDP remains modest by international standards. In more developed tourism economies, the sector typically accounts for 5–7 percent of GDP.
36. Based on data from Adventure Travel Trade Association.
37. Tuft et al. (2024).
38. According to the Adventure Travel Trade Association, approximately 75 percent of the total trip cost of an adventure trip is spent with local suppliers.
39. World Bank (2023a).
40. World Bank (2023b).
41. NSC KR.
42. "Tourism in the Kyrgyz Republic 2021–25," NSC KR. The 2025 figure refers to border crossings into the Kyrgyz Republic by foreign citizens rather than unique tourist arrivals and may therefore include multiple crossings by the same individual.
43. Comparable expenditure data by source market are not available for the Kyrgyz Republic. However, international tourism evidence suggests that long-haul leisure visitors generally spend more per trip than regional and those visiting friends and relatives.
44. UN Tourism (2012).
45. European Commission (2026).
46. Infrastructure gaps are important constraints but fall outside the CPSD's focus on near-term policy and regulatory reforms to unlock private investment.
47. For example, Georgia and Kazakhstan permit long-term land leases for tourism investments, often spanning several decades, providing greater predictability and potentially improving access to long-term financing (World Bank 2021).
48. UNCTAD Investment Dispute Settlement Navigator; Global Arbitration Review (2025); US Department of State (2024; 2025).
49. Pasturelands overlap with key nature-based tourism destinations, including Song-Kul and trekking routes in the Tien Shan.
50. These include Cabinet Resolution No. 212 (June 2023),

an amendment to the Law on Protected Areas (December 2023), and Ministry of Natural Resources Order No. 18 (March 2024), all of which introduced changes to fee structures and access conditions (Ministry of Natural Resources, Ecology and Technical Supervision of the Kyrgyz Republic, *Official Gazette*, 2023–24).

51. In January 2025, the Kyrgyz Republic introduced the Sapar visa category through its electronic visa system, consolidating the former tourist, business, and mountain tourism visa categories into a single category for short-term visits. The visa allows foreign visitors to enter for tourism, business, or private purposes for up to 90 days, with single- and multiple-entry options, and is issued through the official electronic visa portal.
52. To address skills shortages, the Kyrgyz Republic should introduce internationally aligned certification for key visitor-facing and safety-critical occupations to improve service quality and safety, reduce operational risks, and support higher-value tourism investment.
53. Addressing digitalization gaps will require stronger tourism data collection and expanded digital payment infrastructure to support evidence-based planning, reduce transaction costs, and improve the operating environment for tourism businesses and investors.
54. International good practice in tourism concessions for protected and natural areas emphasizes long-term predictability through concession terms aligned with asset life cycles, transparent and rules-based award and renewal procedures, and long-term concessions granted at the outset to facilitate financing of capital-intensive investments (World Bank 2016; OECD 2022).
55. Reforms to permits and authorizations should be aligned with the broader regulatory simplification agenda currently under way in the Kyrgyz Republic.
56. Official tourism statistics report an average of 12,600 employees in the tourism sector in 2025. However, this figure likely understates total tourism employment because a significant share of tourism activity is seasonal, informal, or community-based. The projected employment gains should therefore be interpreted as incremental employment under a reform scenario rather than compared directly with the official employment count.
57. Grand View Research (2025).
58. Fortune Business Insights (2026); Global Market Insights (2025).
59. In the Kyrgyz Republic, the fruit and berry cluster comprises orchard fruits and cultivated berries, including fresh, dried, preserved, frozen, and juice products. Nuts, grapes and wine, melons, and vegetables are classified under separate agricultural clusters.
60. Agriculture is a significant component of the Kyrgyz Republic's economy, accounting for 12 percent of GDP in 2024 and employing around 16 percent of the labor force (NSC KR; WDI).
61. "Agricultural Trade Statistics 2024," Eurasian Economic Commission, https://eec.eaeunion.org/comission/department/dep_stat/union_stat/publications/express/Express_agriculture_new_old.php.
62. NSC KR data.
63. World Bank (2020).
64. NSC KR data.
65. According to the Ministry of Water Resources, Agriculture and Processing Industry, approximately 614,000 hectares of low-productivity agricultural land had not been used for several years. The figure refers to potentially available land rather than land already converted to fruit and berry production (24. kg 2024).
66. ITC Export Potential Map. The ITC Export Potential Map estimates export potential by combining a country's supply capacity, demand in target markets, and market access conditions, including tariffs and nontariff measures. Export potential is estimated as the maximum sustainable annual export value for each product-market pair, based on recent trade data, projected demand, and trade barriers. The methodology identifies gaps between actual and potential exports, highlighting products and markets with unrealized export growth opportunities.
67. "Kyrgyz Republic – Agriculture," Kyrgyzstan Country Commercial Guide, International Trade Administration, published June 23, 2026, https://www.trade.gov/country-commercial-guides/kyrgyz-republic-agriculture.
68. The US$55 million in unrealized export potential and the estimated additional US$21 million opportunity

in the Chinese market are indicative estimates based on the ITC export potential methodology.

69. Although organic production may offer opportunities for product differentiation in selected export markets, its long-term viability will depend on whether market premiums and buyer demand offset the additional costs of obtaining and maintaining organic certification. Stakeholder consultations also noted that incentives to maintain organic production may weaken as producer incomes rise if commercial returns from certification are limited.
70. ADB (2024).
71. The GSP+ (Generalized Scheme of Preferences Plus) grants the Kyrgyz Republic preferential access to the EU market, allowing duty-free exports on more than two-thirds of tariff lines, subject to compliance with international conventions on human rights, labor, and environmental standards.
72. "Fruit and Berries Value Chain," Value Chain Agro Finance Project, https://vcagrofinance.kg/valuechains/fruit-and-berries-vc/.
73. FreshPlaza (2025).
74. Food and Agriculture Organization of the United Nations (FAO), Post-harvest losses in fruits and vegetables; Technical Platform on Food Loss and Waste (2023–2025).
75. Although the Kyrgyz Republic covers about 20 million hectares, only about 6.1 percent is arable because of its mountainous terrain, with just 17.7 percent of arable land allocated to horticulture (ADB 2024).
76. According to the Kyrgyz Republic Country Climate and Development Report (World Bank Group 2025), climate change could leave up to one-quarter of irrigation demand unmet by midcentury, constraining the expansion of irrigated agriculture without significant improvements to water and irrigation systems.
77. "Regulations on Procedures for Allocation Agricultural Land Redistribution Fund for the Expansion of Rural Settlements," FAOLEX, https://faolex.fao.org/docs/pdf/kyr16587.pdf.
78. Economist.kg (2026).
79. Laboratory testing costs of approximately US$300 per shipment represent a variable burden depending on shipment value. For large consignments (for example, US$50,000), testing costs amount to around 0.6 percent of shipment value, compared with 10 percent for a US$3,000 shipment and 30 percent for a US$1,000 shipment. These costs disproportionately affect small exporters and new market entrants, particularly when multiple or repeated tests are required.
80. A FAO food safety management program funded by the Standards and Trade Development Facility in the Kyrgyz Republic's fruit and vegetable sector documents market access difficulties linked with noncompliance with food safety requirements and an outdated inspection system.
81. Initial Global G.A.P. certification costs for small and medium producers are typically US$3,000–6,000, excluding recurring annual audit and compliance costs. These expenses can make direct certified exporting commercially difficult for smallholders.
82. Fruit trees may begin bearing fruit after about three years and reach full production after 6–10 years, resulting in long payback periods that are difficult to finance through short-term lending with high collateral requirements.
83. The ADB's Climate-Resilient Agricultural Value Chain Development Project targets investments in cold storage, refrigerated transport, and primary processing investments. It also highlights the need for long-term financing for horticultural value chain firms to support upgrading and reduce postharvest losses.
84. World Bank (2020).
85. Related analysis of Central Asian trade integration highlights the potential role of internationally accredited private laboratories, including, where appropriate, public-private participation and other private participation models, in strengthening testing and conformity assessment capacity. Consistent with CPSD methodology, this report focuses on public sector actions to facilitate access to internationally recognized testing services.
86. Climate change could leave up to one-quarter of irrigation demand unmet by midcentury, constraining the expansion of irrigated agriculture without significant improvements to water and irrigation systems World Bank Group (2025).
87. FAO Fishstat.
88. Maatkerimova et al. (2024).
89. FAO Fishstat.

90. UNDP (n.d.).
91. FAO (2025).
92. FAOSTAT.
93. FAOSTAT.
94. Calculations based on data from UN Comtrade.
95. The estimate refers to unrealized export potential for trout from the Kyrgyz Republic to the world by 2030, based on ITC's Export Potential Map. ITC's methodology uses a gravity-model approach that estimates potential export values by combining the exporter's supply capacity, import demand in destination markets, market access conditions, and bilateral trade linkages, including factors such as existing trade relationships, tariffs, GDP and population growth, and product-relatedness. The unrealized potential represents the gap between estimated potential exports and current exports (ITC Export Potential Map).
96. Rosselkhoznadzor (2023).
97. Kabar (2024); TASS (2023).
98. National Statistics Committee of the Kyrgyz Republic.
99. Shipton (2021).
100. Department of Fisheries Industry Complex, Veterinary Service for Livestock Development, Pastures and Feed, Ministry of Water Resources, Agriculture and Processing Industry, Kyrgyz Republic. Aquafeed import value estimated at US$2,230 per MT.
101. Kabar (2026).
102. A few larger aquafeed manufacturers may have the capacity to monitor product quality.
103. Based on consultations with private and government stakeholders.
104. Department of Fisheries Industry Complex, Veterinary Service for Livestock Development, Pastures and Feed, Ministry of Water Resources, Agriculture and Processing Industry, Kyrgyz Republic.
105. Abdyraev (2025).
106. FAO (2024).
107. FAO (2025).
108. Kabar (2025).
109. Libezova et al. (2014).
110. Tokoeva (2024); Trend News Agency (2025).
111. "Decision of Council Of The Eurasian Economic Commission of October 18, 2016 No. 162 on the echnical Regulation of the Eurasian Economic Union 'About Safety of Fish and Fish Products,'" CIS Legislation, https://cis-legislation.com/document.fwx?rgn=94964.
112. Maatkerimova et al. (2024); "Law of the Kyrgyz Republic of June 6, 2013, No. 91 on Identification of Animals and Animal Products," CIS Legislation, https://cis-legislation.com/document.fwx?rgn=60493.
113. "Law of the Kyrgyz Republic of June 6, 2013, No. 91 on Identification of Animals and Animal Products," CIS Legislation, https://cis-legislation.com/document.fwx?rgn=60493; Open.kg. (2025).
114. "Law of the Kyrgyz Republic No. 75 on Amendments to the Law of the Kyrgyz Republic 'On the Identification of Animals,'" Ecolex, https://www.ecolex.org/details/legislation/law-of-the-kyrgyz-republic-no-75-on-amendments-to-the-law-of-the-kyrgyz-republic-on-the-identification-of-animals-lex-faoc196956/.
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116. "Program for the Development of Fisheries and Aquaculture in the Kyrgyz Republic for 2025–2029," Resolution No. 481 of the Cabinet of Ministers of the Kyrgyz Republic, August 8, 2025.
117. "Program for the Development of the Food and Processing Industry of the Kyrgyz Republic for 2023–2027 Using Cluster Development," Annex 1 to Resolution No. 671 of the Cabinet of Ministers, Ministry of Justice of the Kyrgyz Republic, December 12, 2023, https://cbd.minjust.gov.kg/53-339/edition/1035/ru.
118. "Law No. 54 on Ecological Expertise," FAOLEX, https://leap.unep.org/en/countries/kg/national-legislation/law-no-54-ecological-expertise; "Order of the Government of the Kyrgyz Republic of February 13, 2015, No. 60 on Approval of the Regulations on Procedure for Evaluating Impact on the Environment in the Kyrgyz Republic," CIS Legislation https://cis-legislation.com/document.fwx?rgn=74006.
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120. "Land Code of the Kyrgyz Republic," Ecolex, https://www.ecolex.org/details/legislation/

land-code-of-the-kyrgyz-republic-lex-faoc01807.

121. Based on consultations with stakeholders.
122. For examples of simplified EIA screening approaches, including EMPs, see FAO (2009, 57).
123. "Code of Practice on Good Animal Feeding," CXC 54-2004, adopted in 2004, amened in 2008 and 2024, Food and Agriculture Organization of the United Nations and World Health Organization, Codex Alimentarius, https://www.fao.org/fao-who-codexalimentarius/sh-proxy/en/?lnk=1&url=https%3A%2F%2Fworkspace.fao.org%2Fsites%2Fcodex%2FStandards%2FCXC%2054-2004%2FCXC_054e.pdf.
124. The Russian Federation is the principal regulated market for Kyrgyz fish exports, where recent export suspensions have exposed specific compliance failures. China is the most immediate potential growth market, with three Kyrgyz aquaculture enterprises reportedly attested for export to China by mid-2025.
125. Carrying capacity refers to the level of aquaculture activity that a water body can sustain without causing unacceptable changes to water quality, ecosystem functioning, species, or habitats.
126. World Bank (2025).
127. The Harmonized System (HS), formally the Harmonized Commodity Description and Coding System, is the international standard for classifying traded goods.
128. NSC KR.
129. ILO (2023).
130. Social audits are assessments conducted by buyers or third parties to verify compliance with labor standards, codes of conduct, and due diligence requirements.
131. Garmash (2025).
132. ITC (2018).
133. "Kyrgyz Republic - Trade Barriers," Country Commercial Guides, International Trade Administration, US Department of Commerce, https://www.trade.gov/country-commercial-guides/kyrgyz-republic-trade-barriers.
134. Kaktus Media (2026).
135. Djankov, Freund, and Pham (2010).
136. Schmidt and Schmidt (2025).
137. Applications for export certification must be sent to Kyrgyzstandart, KAC, the State Customs Service, and the State Sanitary and Epidemiological Supervision.
138. ETF (2025); "Government of the Kyrgyz Republic Resolution No. 491 on Approval of the National Qualifications Framework," Ministry of Education and Science of the Kyrgyz Republic, https://edu.gov.kg/legislations/32/.
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140. Talishli and van Houtte (2025).
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147. 24.kg (2026).
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28, 2025, https://legalacts.ru/kodeks/KOAP-RF/razdel-ii/glava-18/statja-18.15/.

151. Conformity assessments are the procedures used to verify that products meet the technical, safety, quality, health, environmental, or labeling requirements of destination markets.
152. A master air waybill is the principal air cargo transport document issued by an airline or its authorized agent to a freight forwarder for a consolidated shipment. It allows multiple shipments to be grouped under one airline booking, with shipment-level documentation maintained for customs, tracking, and accountability. The freight forwarder typically manages the consolidated shipment with the airline.
153. "Labor Code of the Kyrgyz Republic of January 23, 2025 No. 23," General Part, Section I: General Provisions, https://cis-legislation.com/document.fwx?rgn=164746.
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Acronyms

APKR-20	Aviation Rules of the Kyrgyz Republic No. 20 (Rules of Air Transport)
CAGR	compound annual growth rate
CIS	Commonwealth of Independent States
CMT	cut, make, and trim
CPSD	Country Private Sector Diagnostic
DoFIC	Department of Fisheries Industry Complex
EAEU	Eurasian Economic Union
EEC	Eurasian Economic Commission
EIA	environmental impact assessment
EMP	environmental management plan
ENS	electronic navigation seal
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FDI	foreign direct investment
FTE	full-time equivalent
GDP	gross domestic product
GIS	geographic information system
GOTS	Global Organic Textile Standard
GSP+	Generalized Scheme of Preferences Plus
GTAP	Global Trade Analysis Project
GTI	State Customs Infrastructure
GVA	gross value added
HS	Harmonized Commodity Description and Coding System
IAF	International Accreditation Forum
ICAO	International Civil Aviation Organization
IEC	International Electrotechnical Commission
ILAC	International Laboratory Accreditation Cooperation
ISO	International Organization for Standardization
ITC	International Trade Centre
JSC	joint-stock company
KAC	Kyrgyz Accreditation Centre
MBJ	More and Better Jobs
MSME	micro, small, and medium enterprise
MT	metric ton
MWRAPI	Ministry of Water Resources, Agriculture and Processing Industry
NSC KR	National Statistical Committee of the Kyrgyz Republic
OEKO-TEX	International Association for Research and Testing in the Field of Textile and Leather Ecology
QR	quick response
REACH	Registration, Evaluation, Authorization and Restriction of Chemicals
SME	small and medium enterprise
SOE	state-owned enterprise
SPNA	specially protected natural area
TVET	technical and vocational education and training
UNCTAD	United Nations Trade and Development
VAT	value added tax
VPSS	Veterinary and Phytosanitary Surveillance Service
WDI	World Development Indicators

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