Status for Policy Preparation – Kyrgyz Republic

SBN Member:
❑ Union of Banks of Kyrgyzstan (member since 2018)

SBN Working Group: Green Bond Working Group, IDA Task Force

Country readiness review:
Introducing a formal, national sustainable finance framework (e.g. roadmap, policy, regulatory guidelines, or voluntary industry principles) has been shown to be a foundation for effective country strategies to promote the shift to sustainable finance. Based on SBN members’ experiences, a number of steps are commonly required in preparation for doing so. These include raising awareness within the sector, initiating dialogue among public and private sector stakeholders, and researching national priorities, requirements, and current practices with regard to sustainable finance.

Kyrgyz Republic is currently in the preparation phase and intends to launch a framework in the coming years. Kyrgyz Republic’s readiness has therefore been reviewed against 3 main dimensions:
❑ Is awareness raising being undertaken in the country, with leadership by either the financial sector regulator and/or the banking association? (e.g. trainings, knowledge sharing events, conferences and meetings, research, publications)
❑ Has a sector-wide dialogue been initiated towards the establishment of a national sustainable finance framework, involving relevant stakeholders? (e.g. government and other public bodies, private and public financial institutions, regulators, civil society organizations)
❑ Has a timeline for the development of a policy been defined? (i.e. a clear schedule and milestones to launch the framework?)

Figure 1: SBN Progression Matrix with Assessment Results
Assessment based on progress up to and as of June 2019

Note:
1. Please refer to the SBN Global Progress Report for an explanation of the Progression Matrix.
2. Ghana and Thailand launched their policies and principles in August 2019, after the cut-off date of June 2019 for this report.
Timeline for the development of a policy / principles:
The Union of Banks of Kyrgyzstan joined SBN in 2018. So far, the Kyrgyz Republic has not implemented a sustainable finance framework, but the country is well advanced in its initial preparations. A “Green Economy Development” resolution has been approved by parliament. This led to the preparation of a Development Plan and a financial sector roadmap. Both are still under discussion and could be used as the basis for the creation of a sustainable banking framework.

Dialogue towards the establishment of a policy or voluntary principles:
Many stakeholders with an interest in sustainable finance have been identified, and discussions have begun to formalize a sustainable finance policy for the Kyrgyz Republic. Members of government and parliament have taken part in these talks, along with representatives of international institutions.

Awareness raising practices:
In terms of awareness raising, 15 out of 25 banking institutions have expressed an interest in taking part in the introduction of sustainable finance principles. The draft Development Plan identifies educating the financial sector – both through training and communication – as an important step to take in the journey towards greater sustainability.

Local financial system:
The financial sector is quite concentrated, with the top five banks holding around 73% of banking assets. The sector has yet to engage with sustainable finance. No international initiatives have been adopted, but it is notable that some banks and microfinance institutions offer green (energy efficiency) and social (gender equality) loans and products.

Recent progress and achievements:
- The country has recently made clear progress in addressing sustainability issues. The current government, which took office in November 2017, has engaged in ambitious reforms. The ratification of the Paris Agreement is currently under consideration, and in 2018 a ‘Green Economy’ development strategy was agreed by the Kyrgyz Parliament. Following this approval, a 2019 – 2023 Development Plan has been drafted. This lists the concrete actions and tasks that need to be implemented if the objectives and directions set out in the development strategy are to be achieved.
- The Green Economy strategy identifies and defines the main directions to follow in specific sectors in order to achieve sustainable growth and improve natural resource management. Green transport, energy, agriculture, and waste management are all recognized as key elements for development.
- Sustainable finance is also highlighted as a key tool for promoting a green economy. Sustainable finance mechanisms and principles are to be introduced, with the aim of encouraging the banking sector to adopt green and socially responsible financing. A financial sector roadmap to implement the principles of sustainable finance has been drafted and is currently awaiting finalization. It encourages the adoption of ESG principles, green bonds, and the UN PRI, as well as integrating environmental factors into risk management. It also aims to identify the factors that will allow the financial sector to implement sustainable finance principles.
- In addition, a Climate Investment Program and a Climate Finance Centre were established in 2017 as part of the Pilot Program for Enhancing Climate Resilience. This was achieved with the support of the Climate Investment Fund; whose main objective is environmental protection.
- Turning to social challenges, the Kyrgyz Republic is putting significant effort into reducing inequalities. International conventions on women’s rights and gender equality have been ratified; gender-related national laws approved by Parliament; and multiple action plans have begun since 1997, with the latest focusing on early marriages.
Access the SBN Global Progress Report and Country Reports at:
www.ifc.org/SBN2019Report