

A Sustainable Banking Network (SBN)  
Task Force Report

Addendum to the SBN Report  
*Necessary Ambition: How Low-Income  
Countries Are Adopting Sustainable Finance  
to Address Poverty, Climate Change, and  
Other Urgent Challenges*

June 2020

# Country Profile

## Kyrgyz Republic



Sustainable  
Banking  
Network



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2121 Pennsylvania Avenue, N.W.

Washington, D.C. 20433

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# Kyrgyz Republic



**SBN Members:** Union of Banks of Kyrgyzstan (member since 2018)

**SBN Working Groups:** IDA\* Task Force and Green Bond Working Group

**SBN Progression Matrix Stage (2019):** Commitment – the country has a formal initiative in progress to develop a national roadmap, framework, policy, or voluntary industry principles on sustainable finance.

**SBN and IFC role:** IFC, through the regional Environmental and Social Risk Management (ESRM) Program for financial institutions, has provided technical support and advisory services on policy development, implementation, and capacity building. Through SBN, the Union of Banks of Kyrgyzstan has benefited from the collective knowledge base.

## About this Country Profile:

This Country Profile is an addendum to the SBN report: *Necessary Ambition: How Low-Income Countries Are Adopting Sustainable Finance to Address Poverty*,

\* IDA stands for the International Development Association ([ida.worldbank.org](http://ida.worldbank.org)), an international financial institution under the World Bank Group that offers concessional loans and grants to the world's poorest developing countries.

**Climate Change, and Other Urgent Challenges.** The report and country profiles for the first time capture in a systematic way how sustainable finance is being harnessed by low-income countries to address a range of common environmental and social priorities and drive financial sector innovation despite market constraints.

The report and profiles complement and build on the data collection and analysis for the SBN 2019 Global Progress Report, which covered 39 emerging markets. They delve deeper into the experiences of 8 low-income countries in the SBN network through an online survey, interviews, and desk research.

This country profile has four sections:

- The **Drivers of Action** – factors that spurred the country to develop sustainable finance policies or voluntary principles.
- The country's **Experiences in Developing Sustainable Finance Frameworks** and what was learned in the process.
- **Future Priorities** for the country as it continues to develop its sustainable finance systems.
- How the country views linkages between sustainable finance policies and **Broader Development of its Financial System**.

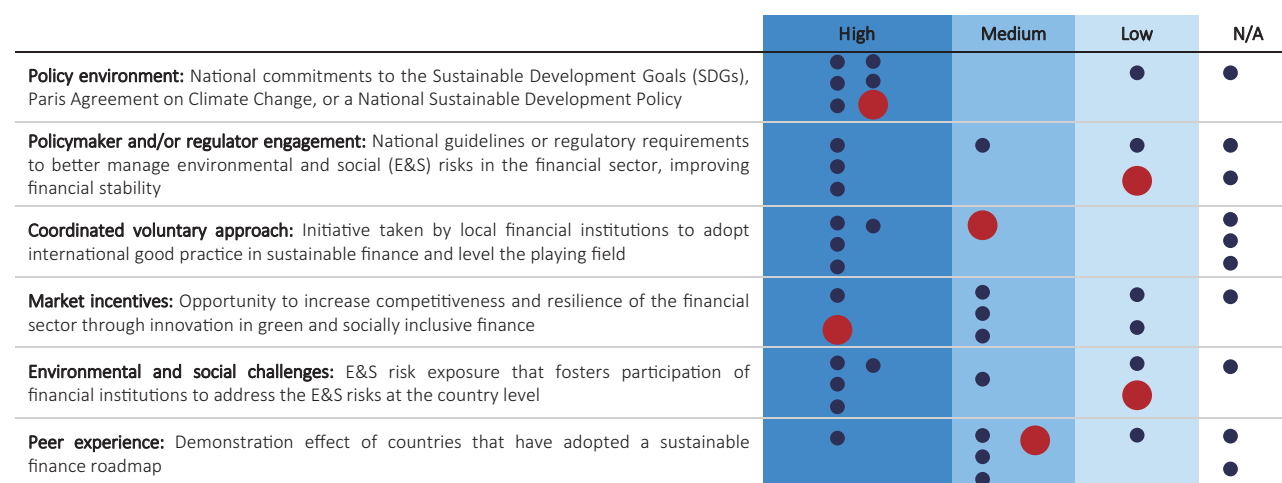
# 1 Drivers of action

## What factors spurred the Kyrgyz Republic to develop a sustainable finance framework?

**The broad policy environment and market incentives have been key to driving sustainable finance in the Kyrgyz Republic.** Figure 1 compares the

drivers of sustainable finance in the country to other SBN IDA countries. In common with those countries, the Kyrgyz policy environment is of high importance and peer experience was also relatively important. However, market incentives were more important, while policymaker and regulator engagement, as well as E&S challenges, were less important than in other SBN IDA members.

**Figure 1 The policy environment and market incentives have pushed the Kyrgyz Republic to begin its sustainable finance journey**



Note: Large dots represent Kyrgyz Republic's responses; small dots represent those of other countries.  
Source: SBN IDA Diagnostic Survey responses

## 2. Developing a sustainable finance framework

### What process did the Kyrgyz Republic go through to develop a framework to promote sustainable finance, and what was learned along the way?

**The Kyrgyz Republic has not yet developed a sustainable finance framework, such as a policy or**

**voluntary industry principles.** The Union of Banks of Kyrgyzstan joined SBN in 2018 and has been leading the creation of a sustainable finance roadmap. The first step has been to establish a working group with financial institution representatives, Kyrgyz central bank representatives, business associations, and environmental groups. This working group is currently developing sustainable finance principles and working to harmonize the financial system with international compliance standards.

### 3. Future priorities

#### What are the Kyrgyz Republic's priorities as it continues to develop a sustainable financial system?

**The next step for the Kyrgyz Republic is to develop the financial sector roadmap.** Initially, this will involve identifying the financial sector's demand for sustainable finance principles and its need to implement them. These principles will take the country's cultural heritage into account and will ensure protection of its biodiversity. Development of a unified

implementation strategy for the banking sector will follow.

**Figure 2 compares the Kyrgyz Republic's ongoing challenges in developing a sustainable finance system with those faced by SBN member associations in other IDA countries.** As with peer countries, there is significant focus on a supportive enabling environment, capacity building, and developing specific tools to support sustainable finance implementation. A lack of capacity, sufficient expertise, awareness, and relevant experts have been cited as the main challenges.

**Figure 2 Ongoing challenges to be met in developing and implementing sustainable finance for Kyrgyz Republic**

		High	Medium	Low	N/A
Enabling environment and capacity building	Build the capacity of regulators and financial institutions	● ● ● ● ●			
	Enhance cooperation among financial institutions	● ● ● ●	● ●		
	Provide clear incentives for sustainable finance	● ● ● ●	● ●		
	Develop and launch a sustainable finance roadmap	● ● ● ●	●		●
	Expand sustainable finance to other financial sectors	● ●	● ● ● ●	● ●	
Specific regulations or tools	Develop a taxonomy of green/socially inclusive projects	● ● ● ● ●	● ●		
	Promote publicly available environmental data	● ● ● ●	● ●		
	Create green asset guidelines, incentives, and awareness	● ● ● ●	● ●	●	

Note: Large dots represent Kyrgyz Republic's responses; small dots represent those of other countries.

Source: SBN IDA Diagnostic Survey responses

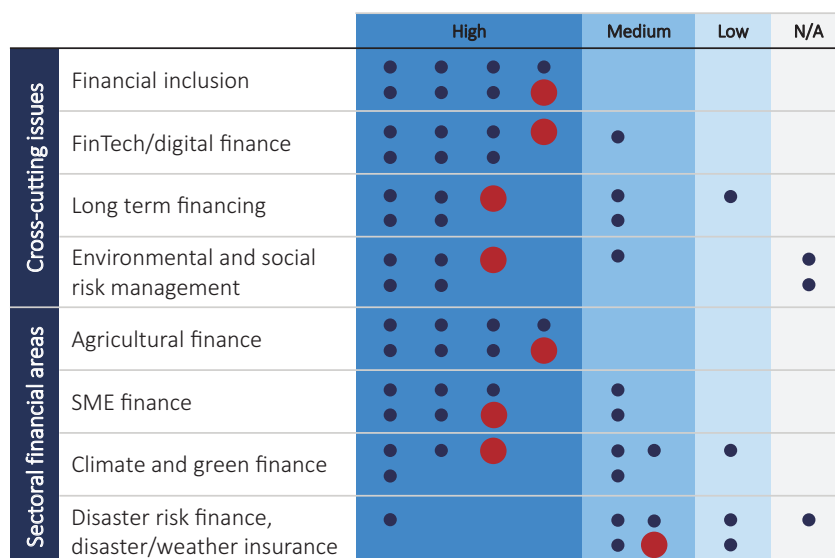
## 4. Broader financial sector development

### How does sustainable finance in the Kyrgyz Republic connect with broader ambitions?

Like other SBN IDA countries, the Kyrgyz Republic prioritizes broader financial sector development alongside sustainable finance, both with regard to cross-cutting and sector-specific issues. Figure 3 compares the country's concerns related to financial sector development with those of other SBN IDA

countries. It shows that the Kyrgyz Republic is very much aligned with its peers. For example, in 2018, the government of the Kyrgyz Republic issued the *Climate Investment Programme: Operational Framework for Managing and Accessing Climate Finance*, which is a participatory, living investment plan that can evolve according to national priorities and stakeholders' interests over time.<sup>1</sup> The development of a sustainable finance framework may also provide opportunities for cooperation with other IDA countries and give the Kyrgyz Republic access to cheaper and greener technologies for its energy, food, and housing sectors.

Figure 3 Key areas of concern related to financial sector development for Kyrgyz Republic



Note: Large dots represent Kyrgyz Republic's responses; small dots represent those of other countries.

Source: SBN IDA Diagnostic Survey responses

“Sustainable finance provides new opportunities for cooperation for the IDA countries and access to cheaper technologies for the production of energy, food, housing, and other vital needs of developing countries without further environmental degradation.”

- The Union of Banks of Kyrgyzstan

<sup>1</sup> Government of the Kyrgyz Republic. 2018. Climate Investment Programme: Operational Framework for Managing and Accessing Climate Finance.

Access SBN knowledge resources at:  
[www.ifc.org/sbn](http://www.ifc.org/sbn)

Access the SBN Necessary Assessment Report  
and associated Country Profiles at:  
[www.ifc.org/sbnnecessaryambition](http://www.ifc.org/sbnnecessaryambition)



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