

# Financial Technology for Regional Cooperation in CAREC countries: Kyrgyz Republic

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# Kyrgyz Republic

## Economic Overview:

- **GDP Per Capita (2022):** \$1607.3
- **Double Landlocked Dilemma:**
  - Limited access to international economic centers and seaports.
  - Implications for trade and economic integration.
- **Terrain Hindrances:**
  - Rugged Landscape: 90% land coverage.
  - Increased transportation and logistics costs.
  - Challenges in establishing robust Internet connectivity.
- **Regional Disparities:**
  - Northern Prosperity: Centered around Bishkek, closely connected to Kazakhstan and Russia.
  - Southern Challenges: Less integrated, facing economic disparities.

## • Population and Resources:

- Population (Jan 2023): 7 million, mostly in rural areas.
- Abundant Natural Resources: Minerals, arable land, hydroelectric potential.

## • Natural Resources:

- Strategic utilization of minerals, arable land, and hydroelectric potential.
- Balancing resource exploitation with environmental sustainability.

## • Regional Collaboration:

- Strengthening ties with neighboring countries.
- Exploring economic partnerships for mutual benefit.

## • Investment Promotion:

- Creating an investor-friendly environment.
- Attracting foreign direct investment for economic growth.

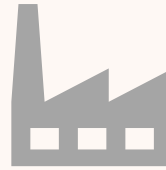
# Economy



## Key Contributors to Economy:

Remittances: Constitute 25-30% of annual GDP.

Gold Production: Plays a crucial role in generating revenue.



## Imbalances in Economic Structure:

Service Sector: Dominates with 65% of GDP.

Manufacturing and Agriculture: Lag behind, hindering balanced growth.



## Challenges and Obstacles:

Investment Climate: Faces challenges affecting economic growth.

Governance: Issues impact economic freedom.

Corruption, legal certainty, and market accessibility hinder private sector development.

# Digital agenda

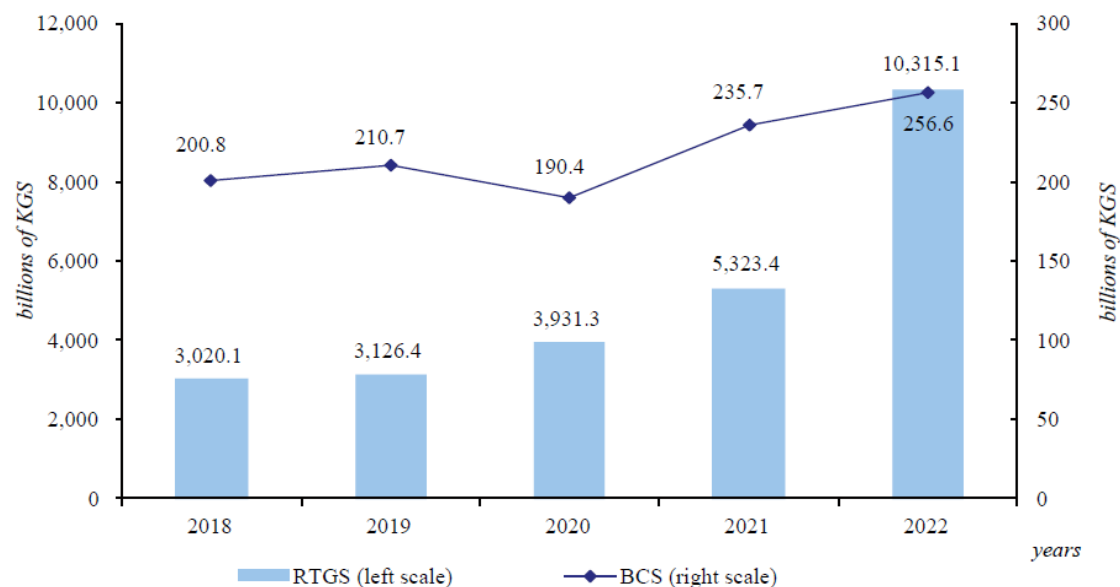
- **Objective:** Accelerated growth and global competitiveness through digital transformation.
- **Initiative:** 'The Concept of Digital Transformation "Digital Kyrgyzstan" 2019-2023'
- **Key Sectors:** Agriculture, light industry, tourism, and the creative economy targeted for digitalization.
- **Targets:** 80% electronic delivery of public services by 2023; 80% digitization of state documents.
- **Core Program:** 'Taza Koom' National Program aligning with the '2040 Sustainable Development Strategy'.
- **Cybersecurity Focus:** 'The Strategy of Cyber Security of the Kyrgyz Republic for 2019-2023' to safeguard against cyber threats.
- **International Collaboration:** Participation in the 'Digital Great Silk Way' and EAEU Digital Agenda for global integration.
- **Implementation Tools:** Tunduk interoperability platform, e-procurement system, and e-payment system enhancing digital infrastructure.
- **Legislative Refinement:** Ongoing efforts for legislative enhancement and enforcement, particularly in areas like personal data protection and e-governance.
- **Holistic Approach:** Emphasizing collaboration, innovation, and resilience for sustainable growth and enhanced competitiveness.

# Financial Sector development

- **Overview of Financial Sector:**
  - Comprises banking and non-bank financial institutions, including microfinance organizations, insurance companies, a stock exchange, and other minor entities.
  - Demonstrated moderate and stable evolution over the past decade.
- **Sector Composition:**
  - Banks: 91.2% of total financial assets.
  - Non-banking financial institutions: 7%.
  - Other entities: 1.8%.
- **Banking Dominance:**
  - Commercial banks hold 80% of the non-cash money stock in the economy.
  - Banks play a dominant role in the financial landscape.
- **Strategic Responses:**
  - Some banks expand by opening branches in remote areas to enhance service accessibility.
- **Integration Challenges:**
  - Other financial markets struggle for traction.
  - Limited integration with the global financial system.
- **Market Impact:**
  - Government securities represent only 3% of GDP.
  - Stock market capitalization is a mere 4% of GDP.
- **Limited Influence:**
  - Combined assets of pension funds, Social Fund, insurance companies, and institutional funds amount to approximately 2% of GDP.

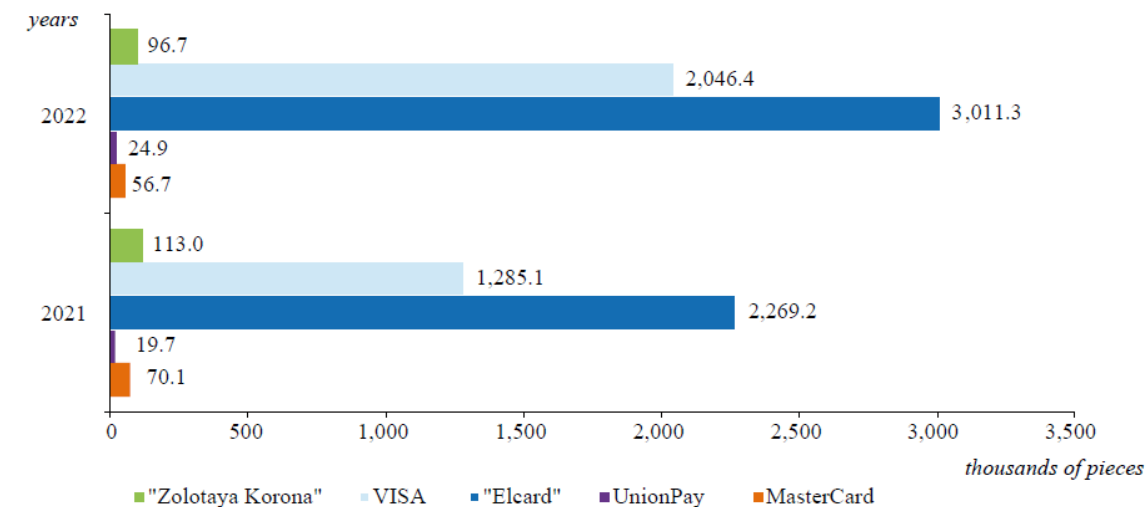
# Non-cash payments

Volume of Payments via Interbank Payment Systems (RTGS and BCS)



The number of payments in the RTGS and SPC increased by 20.4 percent and 1.3 percent, respectively, compared to 2021.

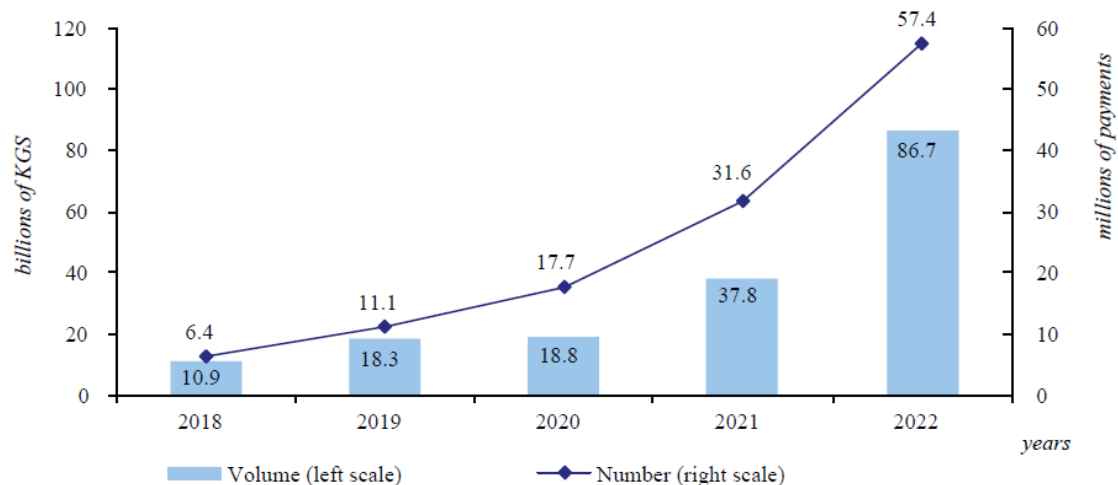
Number of Bank Payment Cards (end-of-period)



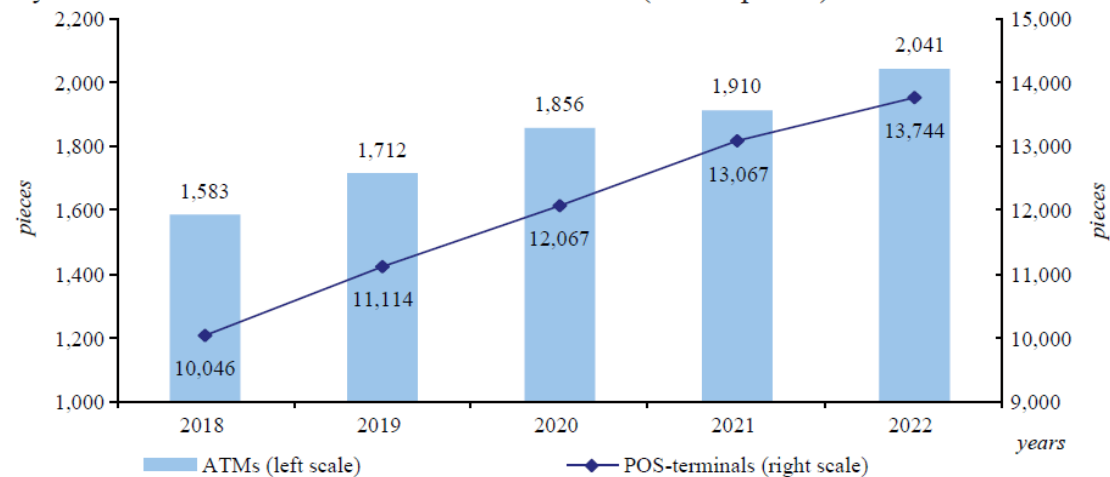
# Card acceptance and servicing infrastructure



Dynamics of Growth in the Volume of Transactions of Merchants

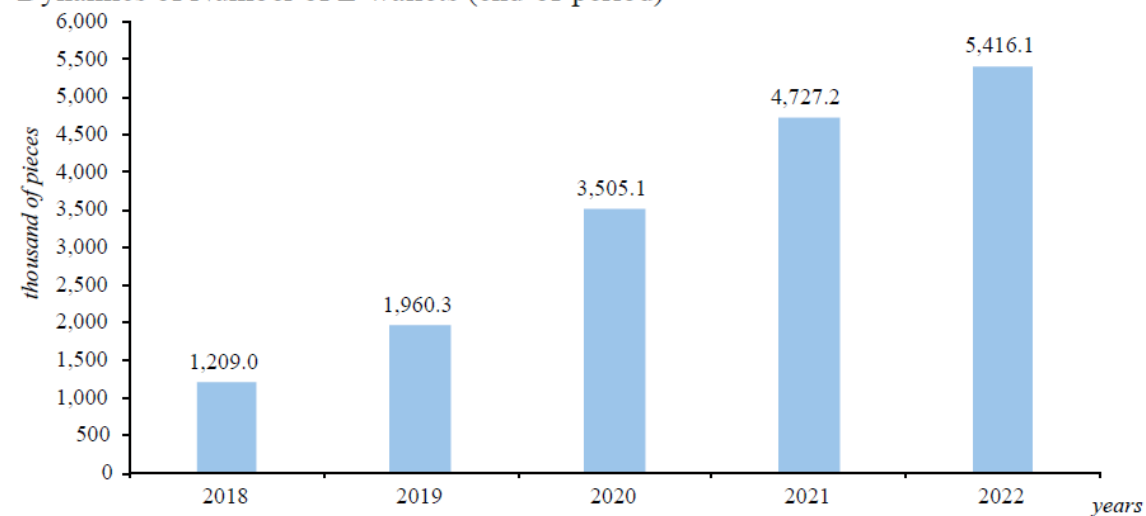


Dynamics of Number of ATMs and POS-terminals (end-of-period)

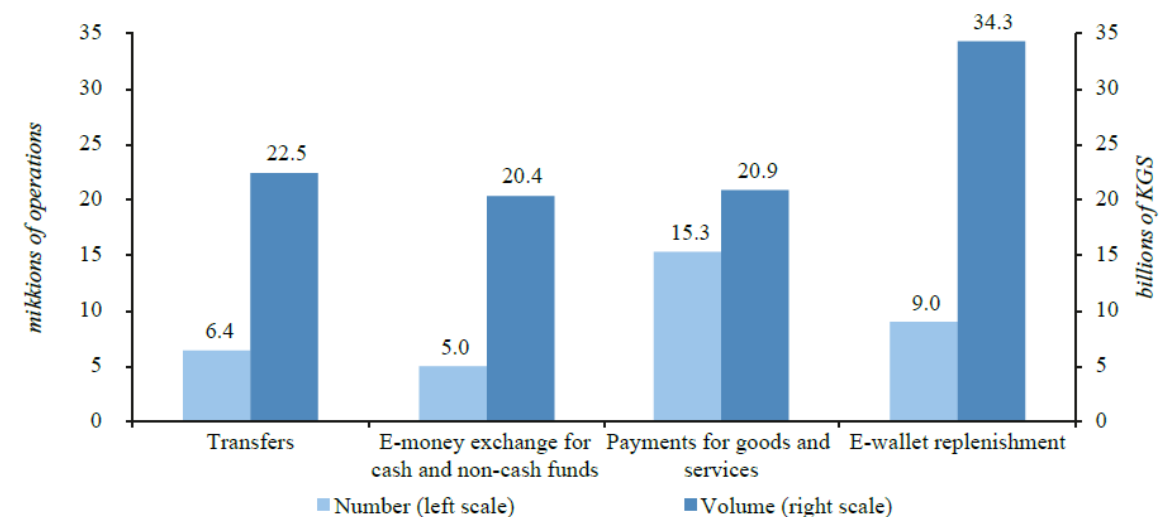


# E-money

Dynamics of Number of E-wallets (end-of-period)



Number and Volume of Transactions via E-wallets





# The state of digital in Kyrgyzstan in 2023

Here are the essential headlines for digital adoption and use in Kyrgyzstan in early 2023:

- There were 5.21 million internet users in Kyrgyzstan at the start of 2023, when internet penetration stood at 77.9 percent.
- Kyrgyzstan was home to 2.75 million social media users in January 2023, equating to 41.1 percent of the total population.
- A total of 10.78 million cellular mobile connections were active in Kyrgyzstan in early 2023, with this figure equivalent to 161.4 percent of the total population.

Internet connection speeds in Kyrgyzstan in 2023

- Median mobile internet connection speed via cellular networks: 19.14 Mbps.
- Median fixed internet connection speed: 48.47 Mbps.

JAN  
2023

# FINANCIAL INCLUSION FACTORS

PERCENTAGE OF THE TOTAL POPULATION AGED 15+ THAT OWNS OR USES EACH PRODUCT OR SERVICE



KYRGYZSTAN

ACCOUNT WITH A  
FINANCIAL INSTITUTION



41.0%

FEMALE

39.4%

MALE

42.7%

CREDIT CARD  
OWNERSHIP



3.1%

FEMALE

2.7%

MALE

3.6%

DEBIT CARD  
OWNERSHIP



28.0%

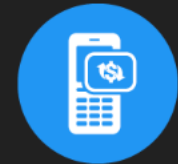
FEMALE

27.8%

MALE

28.4%

MOBILE MONEY ACCOUNT  
(E.G. MPESA, GCASH)



11.4%

FEMALE

12.0%

MALE

10.8%

MADE A DIGITAL  
PAYMENT (PAST YEAR)



26.0%

FEMALE

24.5%

MALE

27.5%

MADE A PURCHASE USING A MOBILE  
PHONE OR THE INTERNET (PAST YEAR)



10.0%

FEMALE

9.0%

MALE

11.1%

USED A MOBILE PHONE OR THE  
INTERNET TO SEND MONEY (PAST YEAR)



11.9%

FEMALE

11.7%

MALE

12.1%

USED A MOBILE PHONE OR THE  
INTERNET TO PAY BILLS (PAST YEAR)



8.8%

FEMALE

7.7%

MALE

10.1%

SOURCE: WORLD BANK. NOTES: SOME FIGURES HAVE NOT BEEN UPDATED IN THE PAST YEAR, SO MAY BE LESS REPRESENTATIVE OF CURRENT BEHAVIOURS. PERCENTAGES ARE OF ADULTS AGED 15 AND ABOVE, NOT OF TOTAL POPULATION. MOBILE MONEY ACCOUNTS ONLY REFER TO SERVICES THAT STORE FUNDS IN AN ELECTRONIC WALLET LINKED DIRECTLY TO A PHONE NUMBER, SUCH AS MPESA, GCASH, AND

MOBILE MONEY ACCOUNTS DO NOT INCLUDE PEOPLE WHO USE OVER-THE-TOP MOBILE PAYMENT SERVICES SUCH AS APPLE PAY, GOOGLE PAY, OR SAMSUNG PAY.

# Developing the digital economy

- 1. Reform Program:** Launch an ambitious reform program, particularly in response to the current crisis, with a focus on private sector investments in high-growth-potential sectors. Prioritize digital infrastructure development, financial services, and tourism, while stimulating private investments through critical improvements to energy infrastructure.
- 2. Digital Transformation Strategy:** Develop a focused and accelerated digital transformation strategy, emphasizing the deployment of broadband technology across businesses to enhance productivity, reduce costs, and accelerate innovation. Address challenges in the Kyrgyz telecom sector, such as limited competition and infrastructure sharing, to improve access and quality.
- 3. Local Digital Platform Development:** Enable scalable broadband infrastructure, especially in rural areas, and create an enabling regulatory environment to spur local digital platform development. Address the dominance of large international platforms by adopting an ecosystem approach to coregulation involving all key stakeholders.
- 4. Regional Fiber-Optic Connectivity:** Invest in regional fiber-optic connectivity to capitalize on the unique opportunity for the land-locked country to enable the export of services. Overcome challenges such as limited and costly high-speed internet by addressing regulatory barriers and promoting competition in the sector.
- 5. Payment System Infrastructure:** Strengthen payment system infrastructure to support e-commerce, formalize the economy, and improve tax compliance. Implement digital ID and cybersecurity capabilities to enhance e-governance efforts and promote wider penetration of online B2B and B2C services.
- 6 Data Governance and Interoperability:** Address the lack of digital ID and interoperability to facilitate the growth of digital services across sectors. Implement targeted reforms to establish a seamless, open-access, and cross-border fiber-optic backbone. Streamline legal and data privacy regulations to encourage data sharing and improve access to finance for businesses.



Q&A

Thank you!