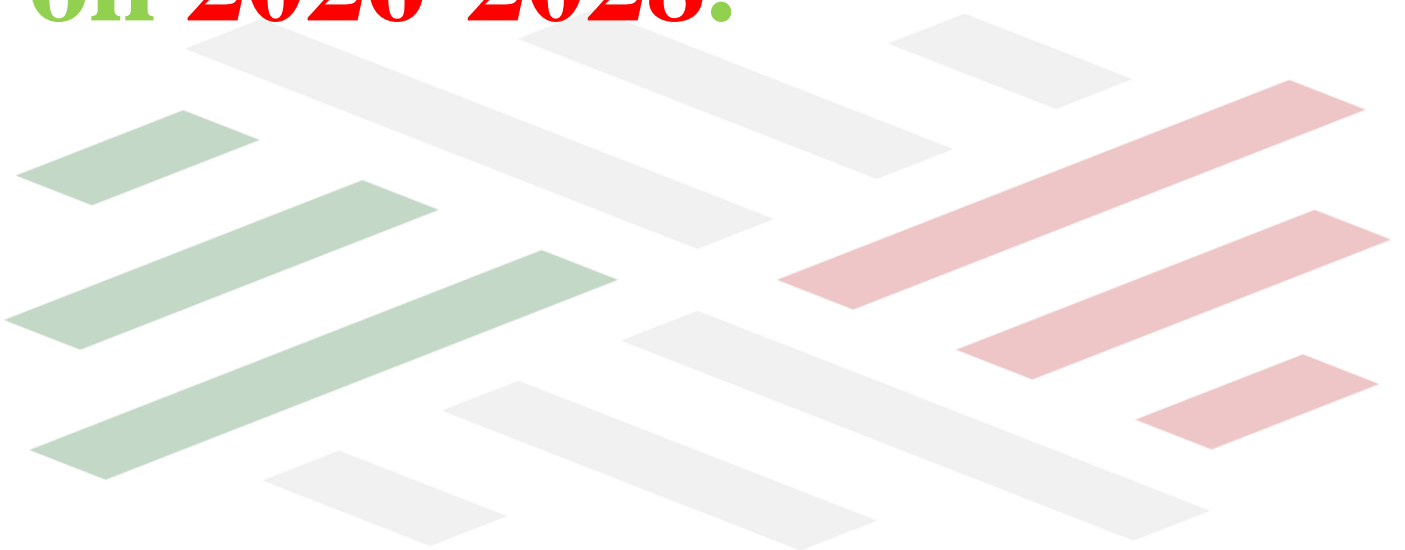




# **STRATEGY**

**Hungarian-Kyrgyz  
Development Fund  
on 2026-2028.**





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## 1. OVERVIEW AND OBJECTIVES OF THE FUND

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For period 2026-2028 The fund will focus on the following strategic development objectives:

- **Deepening bilateral cooperation**  
In the context of global economic instability and increased regional competition, it is important to strengthen economic and political ties between Hungary and Kyrgyzstan. This strategy sets clear guidelines for the implementation of joint projects aimed at mutually beneficial development.
- **Ensuring the financial sustainability of the fund**  
Development of long-term financing models, attraction of additional resources, introduction of mechanisms for monitoring and control over the targeted use of loan funds.
- **Establishing partnerships with business and government agencies**  
Establishing interaction with the private sector, local authorities and international organizations. As well as promoting joint projects with Hungarian and Kyrgyz partners.

Development of a development strategy for HKDF for the period 2026–2028 is a key tool for realizing the long-term goals of bilateral cooperation between Hungary and Kyrgyzstan. The strategy will not only determine the priority areas of the Fund’s activities, but also increase its effectiveness in solving economic, social and environmental problems.



## **Promoting economic development of Kyrgyzstan**

Kyrgyzstan needs investment to modernize infrastructure, support small and medium-sized businesses, and increase the competitiveness of the national economy. This strategy defines priority sectors of the economy to which the Fund's funds will be directed, allowing to stimulate growth, create jobs and improve the standard of living of the population.

The Fund also focuses on achieving the goals of the National Development Program of the Kyrgyz Republic until 2030, including the development of green energy, eliminating regional imbalances and supporting small and medium-sized businesses (SMEs). The implementation of projects in these areas will not only accelerate the economic growth of Kyrgyzstan, but also strengthen bilateral cooperation with Hungary through the introduction of advanced technologies and attraction of investments. In particular, projects in the field of renewable energy will help increase the share of renewable energy sources in the country's energy balance, which corresponds to national goals, as well as contribute to the diversification of regional economies.

- **Strengthening regional and international competitiveness**

Kyrgyzstan colliding meets the challenges of the global economy, such as technological transformation and changing labor markets. Support for innovative projects will allow country strengthen its position in the international arena.

- **Creation of a long-term partnership mechanism**

The Foundation is a unique platform for strengthening relations between government agencies, business and civil society of the two countries. This strategy will become the basis for forming new partnerships, attracting international experts and joining forces to achieve common goals.

## **Basic principles and directions development of the Fund**

The Foundation, in its development and planning of strategic objectives, will adhere to the following principles:

- maintaining high business reputation and sustainability, maintaining status Fonda as socially significant institution;
- minimizing risks, primarily credit, maintaining high quality of the loan portfolio;
- maintaining an optimal liquidity ratio and profitability of operations;
- use of effective internal control and risk management procedures, optimization activity costs;



## 2. CURRENT ACTIVITY

### Role and status Fonda

#### Hungarian-Kyrgyz Development Fund

established in order to promote economic cooperation between the Kyrgyz Republic and Hungary, modernization and development of the economy of the Kyrgyz Republic, effective use of opportunities provided by the Agreement between the Government of the Kyrgyz Republic and the Government of Hungary on economic cooperation, signed 08 April 2021 year.

**Foundation Management** carried out jointly by representatives of Hungary and Kyrgyzstan (on the Fund Council there are 2 representatives from the Hungarian and 3 representatives from the Kyrgyz side).

**Authorized capital:** is 50 million US dollars, while current paid 26 million dollars USA, with the condition of its replenishment as projects are implemented.

This Fund Strategy for the period from 2026 until 2028, defines the main strategic directions of development to ensure long-term growth and increase the efficiency of the fund's operations. The Hungarian-Kyrgyz Development Fund strives to become a key instrument for deepening economic cooperation between Hungary and Kyrgyzstan. We see our future as a reliable financial and strategic partner promoting sustainable economic growth, attracting investment, entrepreneurship development and modernization of key sectors of the economy of Kyrgyzstan.

Our vision is based on the principles of mutually beneficial partnership, innovative development and integration of best international experience, which will allow us to create favorable conditions for long-term economic growth and improving the living standards of citizens.

The mission of the Hungarian-Kyrgyz Development Fund is to promote the dynamic economic development of Kyrgyzstan by strengthening trade, economic and investment ties with Hungary.

To achieve this goal, the Foundation:

- Provides financing and investment instruments to support small, medium and large businesses, helping to create new jobs and increase the competitiveness of the national economy.
- Acts as a catalyst for the introduction of advanced Hungarian technologies and management practices, helping Kyrgyz enterprises to modernize and meet international standards.
- Actively supports projects in strategically important sectors such as industry, agriculture, infrastructure, and energy.
- Contributes to the development of the export potential of Kyrgyzstan, facilitating the entry of domestic goods and services into European and international markets.
- Strengthens bilateral economic cooperation, creating a favorable business environment for Hungarian and Kyrgyz investors.

The Fund's activities are based on the principles of transparency, sustainability and responsibility, which allows us to work effectively for the benefit of economic progress and development of the two countries.



## Foundation values

-  Professionalism
-  Reliability
-  Customer Focus
-  Innovation
-  Sustainability / Eco-friendliness

## Financial instruments and current projects

Currently the Fund uses **direct financing** as the main financial instrument for project implementation. This approach allows for targeted support for initiatives corresponding to priority areas such as agriculture, industry and energy.





## Current projects:

**Project «Development of breeding horse breeding»** aimed at purchase of breeding horses in Hungary; reconstruction of horse farming and purchasing of horse carriage, which contributes to the development of livestock breeding and strengthening of the agricultural sector of Kyrgyzstan.

- *loan amount – 650 thousand US dollars;*
- *loan term – 84 months;*
- *ninterest rate – 3.1% per annum;*

The loan was used for its intended purpose; more than 30 heads of breeding horses were purchased. The construction of the stables and riding area has been completed.



**Project “Purchase of an automatic flask blower AKV-400”** is associated with the modernization of equipment in industry, which makes it possible to increase the competitiveness of Kyrgyz enterprises through the introduction of modern technologies, including the use of Hungarian equipment

- *loan amount – 400 thousand US dollars;*
- *loan term – 24 months;*
- *interest rate – 2.5% per annum*

The Hungarian component is 398 thousand US dollars (99,5% of the loan amount), represented by the supply of an AKV-400 flask blowing machine and components (used plant equipment Tungsram). Hungarian project partner – “Universal Trade Kft.»





### Project “Purchase of compressor equipment” issued to the same plant.

- loan amount – 100 thousand US dollars;
- loan term – 18 months;
- interest rate – 4.0% per annum;

The Hungarian component amounts to 100 thousand US dollars (100% of the loan amount), presented in the form of the supply of compressor equipment. Hungarian project partner – “Universal Trade Kft.»

The acquisition of the above equipment, by increasing efficiency, helps reduce the cost of production of the plant by more than 20%.



### Project “Construction of a small hydroelectric power station»

The goal of the project is the development and construction of a small hydroelectric power station to increase electricity production, reduce energy dependence on external sources and provide electricity to remote areas.

- Amount of loan 8 000 000 \$
- Term of loan 120 months
- Interest rate 4,5%

The Hungarian component is presented in the form of the purchase of equipment: a generator and a hydraulic turbine complete with installation from a consortium of companies “A-HID” and “HSP” Hidepito Special”, Hungary. The project is at the investment period stage. The planned launch date for the SHPP is June 2027.

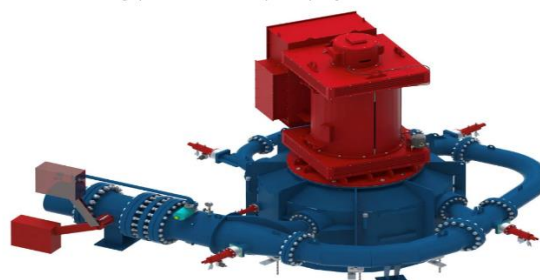


#### Pelton Turbine PT261-V4

- Vertical shaft orientation
- 4 - nozzles
- hydraulic nozzle adjustment
- designed for following data

DESIGN PARAMETERS			
Gross-head	$H_b$	=	419.77 m
Net-head	$H_n$	=	351.77 m
Turbine discharge	$Q_N$	=	2.50 m <sup>3</sup> /s
Nominal turbine output:	$P_T$	=	7792 kW
Nominal speed:	$n_T$	=	750 min <sup>-1</sup>
Runaway speed:	$n_D$	~	1350 min <sup>-1</sup>
Jet circle diameter:	$D_j$	~	1016 mm
Elevation Powerhouse		less than	1758 m a.s.l.

Note: Design parameters are for full plant capacity.





For period 2026-2028 priority sectors for the Fund will be:





### 3. ANALYSIS EXTERNAL CONDITIONS AND OPPORTUNITIES

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#### Economy Hungary And Kyrgyzstan.

##### Hungary

In 2024, Hungary's GDP was about \$212 billion (according to the IMF), with projected growth of 2.5–3% in 2025. However, the economy faces challenges such as high inflation (reaching 17% in 2023, but falling to 4–5% by 2024) and dependence on energy imports.

The key areas for cooperation are:

- **Agriculture and processing:** Hungary are known for its technologies in the agro-industrial sector - from the production of seeds and feed to equipment for processing agricultural products. This experience can be used to modernize the agro-industrial complex of Kyrgyzstan. Particular attention should be paid to livestock farming (cattle, small animals), including breeding, where Hungarian solutions on genetics, reproduction, feeding and veterinary support can significantly increase the productivity and sustainability of farms.
- **Renewable energy:** Hungary is actively developing solar and wind energy, as well as modern control systems energy production. These technologies can be adapted to solve Kyrgyzstan's energy deficit. In addition, taking into account the peculiarities of the country, it is important to highlight the potential of hydropower (SHPPs and reconstruction of existing hydroelectric power stations), where Hungarian companies are able to offer equipment, automation, safe operation technologies and increasing the efficiency of water resources.
- **IT and innovation:** Hungary has a developed IT sector (e.g. startups in Budapest). This can be used to introduce digital solutions in Kyrgyzstan, including public sector.

**Investment climate:** Hungary actively attracts foreign investment through preferential tax regimes and subsidies (for example, for companies that create jobs). Fond can use these mechanisms to attract Hungarian investors to projects in Kyrgyzstan.

#### Foreign policy and institutional factors of Hungary

**EU membership:** How EU member, Hungary has access to EU funds and programs (e.g. Horizon Europe, European Structural and Investment Funds). Fund in perspective can use these resources for co-financing projects in Kyrgyzstan, especially in the field of green energy and digitalization.

**Foreign policy:** Hungary supports the policy of “Eastern Opening” (Eastern Opening), aimed at strengthening ties with Central Asia. This creates political support for projects Fonda, especially in the field of trade and investment.



## **Technological and innovative contribution of Hungary**

Water technology: Hungary has experience in water management What directly corresponds to priorities Fonda (sewage treatment plants and water resources management).

Medical technology: Hungary produces medical equipment and has experience in modernizing healthcare. This can be used for projects in Kyrgyzstan, especially under priority - healthcare.

Green solutions: Hungary actively implements EU environmental standards (e.g. waste management, energy efficiency). These solutions can be applied in Kyrgyzstan to reduce its carbon footprint.

## **Kyrgyzstan:**

- The economy is developing, with a GDP per capita of about \$2,500. Major industries includes agriculture, mining, energy and trade.
- High dependence on gold exports and migrant remittances, low levels of investment and infrastructure problems hamper rapid economic growth.
- For the Fund, this means a high need for financing, especially in the infrastructure, agriculture and renewable energy sectors.

For 2024 the year was characterized positive trends in the development of the country's economy. The main factors influencing GDP growth were the growth in industrial production, agriculture, construction, trade.

According to the National Statistical Committee of the Kyrgyz Republic, in 2024, gross domestic product (GDP) at current prices amounted to 1,523.2 billion soms, which is 9% more than in 2023.

GDP growth was ensured by the following sectors:

- Industry: increase by 5.6%, with a volume of 251.0 billion soms.
- Construction: growth by 18%, volume amounted to 125.9 billion soms.
- Agriculture, forestry and fisheries: increase by 6.3%, reaching 131.1 billion soms.
- Wholesale and retail trade; repair of cars and motorcycles: growth by 16.3%, with a volume of 267.5 billion soms.
- Activities of hotels and restaurants: increase by 28.3%, volume amounted to 32.6 billion soms.
- Information and communication: growth by 6.7%, reaching 36.5 billion soms.

The share of industries providing services in the structure of GDP increased by 0.8 percentage points compared to the previous year and amounted to 52.1%. The share of industries producing goods also increased by 0.3 percentage points, reaching 33.4%. At the same time, the share of agriculture decreased by 0.9 percentage points.

It is predicted that in 2026 year, the economic growth rate will be 6%, and the nominal volume of GDP will reach 1624 billion soms. The main contribution to GDP growth is expected from the services, construction and industry sectors.

## **Foreign policy, social and cultural aspects:**



- Relations between Hungary and Kyrgyzstan are friendly, and the development of economic cooperation is a priority for both sides.
- There is a growing interest in sustainable development in Hungary, which may influence the Fund's strategy, including support for environmentally friendly and socially responsible projects.
- Cultural ties between Hungary and Kyrgyzstan are based on historical and ethnic parallels, which strengthens bilateral relations.
- However, differences in management approaches, levels of professionalism and enforcement may create barriers to effective cooperation.

## Global trends

The global economy is being impacted by several key trends that pose both challenges and opportunities for the Fund.

- **Global economic growth slowdown:** Projected growth of 2026 year will be 3.1% (IMF), which requires the Fund to focus on sustainable projects with high added value, such as agriculture and energy. Hungary can help Kyrgyzstan enter EU markets by reducing dependence on traditional partners.
- **Energy transition:** Growing demand for renewable energy (40% by 2030, IRENA) makes hydro and solar energy projects a priority.
- **Digitalization:** According to International Data Corporation (IDC), global spending on digital transformation (digital transformation) are forecast at ~US\$3.4 trillion in 2026 with an annual growth rate of about 16.3%. The fund can use Hungarian experience in IT to implement digital solutions in priority sectors such as agriculture and healthcare.
- **Sustainable development:** The growing importance of ESG standards (50% of global investments in 2024, Bloomberg) requires the Fund to integrate environmental and social criteria into projects. Hungary, which has adapted EU standards, can help implement best practices.
- **Demand for organic products:** The organic market is growing at 10% per year (Statista), which opens up opportunities for the export of Kyrgyz goods (honey, nuts) to the EU through Hungary.
- **Ecotourism:** The growth of the ecotourism market by 15% per year (UNWTO) supports the Fund's projects in the field of tourism. Hungary can share its experience in developing tourism infrastructure.



- **Regional integration:** Strengthening blocs (EU, EAEU) creates opportunities for trade corridors. The Fund can facilitate the export of Kyrgyz goods to the EU through Hungarian hubs and the supply of Hungarian technologies to Kyrgyzstan.



## Potential for cooperation

**Logistics potential:** Hungary is an important transport hub in Europe (railway corridors and the Danube). Kyrgyzstan could become a transit point for Hungarian goods going to China or other Central Asian countries.

**Joint projects within the EAEU and the EU:** Kyrgyzstan, as a member of the EAEU, has access to the markets of Russia and Kazakhstan, and Hungary to the EU markets. Fund can initiate projects that take advantage of these advantages (for example, exporting Kyrgyz products to the EU through Hungary).

**Investments in tourism:** Hungary has a developed tourism infrastructure (e.g. thermal resorts). The experience of Hungary can be applied to the development of ecotourism in Kyrgyzstan (creation of ski resorts or routes along the Great Silk Road).

### Foreign policy and institutional factors

As an EU member, Hungary has access to EU funds and programs (e.g. Horizon Europe), which can be used for co-financing projects Fonda. Hungary's Eastern Opening policy aims to strengthen ties with Central Asia, which creates political support for cooperation with Kyrgyzstan. Hungary also maintains pragmatic relations with Russia and China, which opens up opportunities for trilateral projects (for example, logistics corridors through Kyrgyzstan to Hungary).

### Hungary's technological contribution

Hungary has expertise in water management (sewage treatment plants, irrigation), which directly corresponds to priorities Fonda. Hungarian companies can supply medical equipment to modernize healthcare in Kyrgyzstan, as well as environmentally friendly solutions (for example, in waste management) that meet EU standards.

The Foundation held a detailed analysis of competitive advantages, strengths and weaknesses, opportunities and threats (SWOT analysis), the results of which served as the basis for determining the main strategic priorities for growth and development for the period from 2026 until 2028.



<h3>Strengths</h3> <ul style="list-style-type: none"><li>• Direct funding;</li><li>• Low interest rates on loans</li><li>• Long-term loans—up to 10 years</li><li>• Simplified requirements for collateral.</li></ul>	<h3>Weaknesses</h3> <ul style="list-style-type: none"><li>• Funding in U.S. dollars;</li><li>• The Complexity of Risk Assessment at the early stages of projects;</li><li>• Low business awareness of Fund;</li><li>• Limited resources.</li></ul>
<h3>Opportunities</h3> <ul style="list-style-type: none"><li>• The possibility of financing companies operating along the Silk Road;</li><li>• Integration with foreign markets and attracting companies with foreign capital;</li><li>• Increased financing needs for agricultural producers and companies</li></ul>	<h3>Threats</h3> <ul style="list-style-type: none"><li>• Currency risk — volatility the U.S. dollar exchange rate;</li><li>• Concentration of credit portfolio;</li><li>• Political instability in the Central Asian region and Hungary;</li></ul>

## 4. PRIORITY AREAS OF DEVELOPMENT FOR 2026-2028

The Fund plays a key role in strengthening economic cooperation between the Kyrgyz Republic and Hungary, supporting projects aimed at sustainable development and economic modernization. Strategy for 2026–2028 defines the main goals, objectives and priority areas that contribute to the expansion of investment interaction, the development of the export potential of Kyrgyzstan and the introduction of modern technologies with the participation of Hungarian partners.

### Key goals and indicators

The Fund is on the threshold of a new stage of development, and broad prospects are opening

up for it to strengthen investment cooperation between Hungary and Kyrgyzstan. Main goals for the period 2026-2028 include:

#### Expanding business and investment cooperation between Hungary and Kyrgyzstan:

- Creating favorable conditions for attracting Hungarian investments in key sectors of the economy of Kyrgyzstan.
- Strengthening information support for Hungarian and Kyrgyz entrepreneurs through the creation of interactive platforms.

#### Increasing the share of projects with Hungarian participation:

- Involving large Hungarian companies in the implementation of strategic projects.
- Creation of a platform for the exchange of experience and advanced technologies



between the business communities of the two countries.

- Support for innovative start-ups with the participation of Hungarian capital.

### Development of export potential of Kyrgyzstan:

- Expanding the geography of supplies of Kyrgyz goods to the Hungarian market and EU countries.
- Development of programs to support exporters, including subsidies and tax breaks.
- Introduction of international quality standards for Kyrgyz products to increase their competitiveness.

To achieve its goals, the Foundation has identified the following tasks:

### Increasing the Hungarian component in projects to the established level:

- Introduction of new requirements for joint projects, ensuring an increase in the share of Hungarian technologies and equipment.
- Conducting regular consultations with Hungarian partners on investment issues.

### Expanding the number of joint business forums:

- Organizing annual business forums in Bishkek and Budapest to strengthen business ties.
- Creation of interactive platforms for exchanging ideas and finding partners.

### Strengthening ties with local companies:

- Increasing the number of partnership agreements with Kyrgyz enterprises.

- Supporting local initiatives aimed at improving the business environment in Kyrgyzstan.

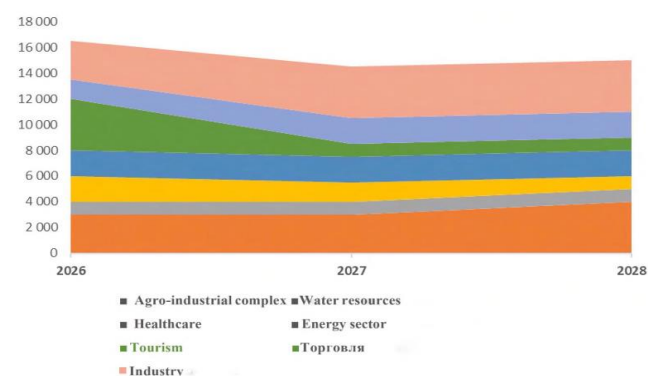
### Key indicators

The Fund has developed forecast indicators reflecting the planned volumes of financing and growth of the loan portfolio in the period from 2026 until 2028. The data is divided into two categories: issued directions (covering projects already started) and loans (focusing on the provision of financial support).

### Projected funding volumes, in thousands of US dollars

Sector	2026	2027	2028
Agribusiness	3 000	4 000	4 000
Water Resources	1000	1000	1000
Healthcare	3 000	2 000	1000
Energy	2 000	3 500	3 000
Tourism	3 000	1500	1500
Trade	1000	2 000	2 500
Industry	3 000	4 000	4 000
<b>Total</b>	<b>16 000</b>	<b>18 000</b>	<b>17 000</b>

The table reflects the planned volumes of funding for issued areas from 2026 to 2028,



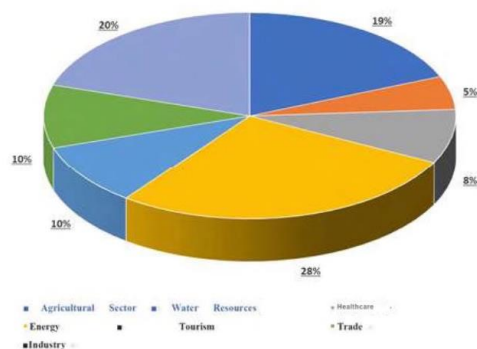
with a total of 51 000 thousand US dollars for the entire period.

By the end of the period (2028), key forecast indicators distribution in these areas look like this: the largest amount of funds will be directed to agro-industrial complex and industry — near 44% (22 million US dollars), water sector 6%, to the sector healthcare and tourism 1 each2% (about 6 million dollars), for

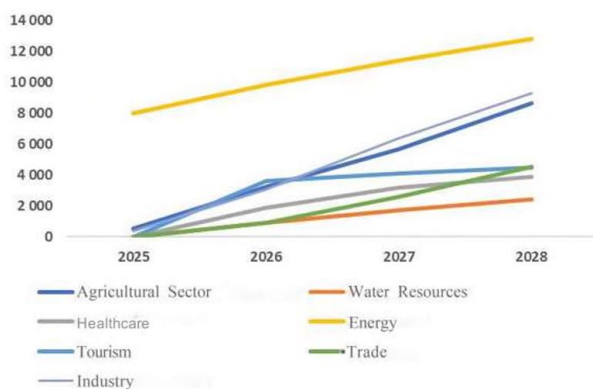


the energy sector 17% and the trade sector accounts for 11% of the total funds, (what constitutes about 5.5 million US dollars).

Second table shows structure of the loan portfolio to 2028at, with a total amount 50 640 thousand US dollars by the end of the period.



By the end of the period (2028), key indicators (KI) show significant growth. The largest volume of the portfolio will be focused on the energy sectors And agro-industrial complex 29% And 19% respectively, 18% of portfolio volume is concentrated in the industry sector, 11% in the health sector, 5% in wastewater treatment plants and water resources and by 9% in the rest.



## Industry Focus

The Fund has identified priority areas that are of strategic importance for both countries and contribute to economic diversification, job creation and strengthening bilateral ties. Each direction is chosen taking into account the economic priorities of Kyrgyzstan, opportunities for cooperation with Hungary

and global trends such as sustainable development and digitalization.

## Agro-industrial complex



The agro-industrial complex is highlighted as a priority area, since agriculture is the basis of the economy of Kyrgyzstan, providing employment to a large part of the population and contributing to food security. The fund will direct significant investments to the introduction of modern technologies (including Hungarian), improving infrastructure and increasing the competitiveness of products in international markets. Access to preferential loans will allow farmers and agricultural enterprises to modernize production and expand sales markets, especially to EU countries through Hungarian logistics hubs.

As part of supporting the agro-industrial complex, the Fund will take into account the cross-cutting priority of the National Development Program of the Kyrgyz Republic until 2030 for the development of small and medium-sized businesses (SMEs), which sets a goal of increasing the share of SMEs in GDP to 50%. This will be achieved through the provision of preferential loans for agricultural enterprises, as well as the introduction of Hungarian technologies in product processing, which will increase the competitiveness of goods in international markets. Particular attention will be paid to projects aimed at eliminating regional imbalances through the



development of processing capacities in agricultural regions.

## Industry



Support for the industrial sector is aimed at developing processing enterprises, increasing the added value of products and stimulating exports. The fund will finance projects that contribute to the modernization of production and the creation of new jobs, with an emphasis on the introduction of Hungarian technologies and equipment. This direction contributes to the growth of the export potential of Kyrgyzstan and the strengthening of economic ties with Hungary.

## Wastewater treatment plants and water management



Investments in this area are aimed at improving the environmental situation, modernizing the water supply and wastewater treatment infrastructure. The projects will contribute to sustainable development and improve the quality of life of the population, which is in line with global environmental trends. Hungary, with its experience in water management, can provide the technology and expertise to implement such initiatives.

## Healthcare



The fund will support the development of medical infrastructure, including the construction of new facilities and the purchase of equipment, including using Hungarian technologies. This direction is important for increasing the availability and quality of medical services in Kyrgyzstan, especially in the face of growing needs of the population. The projected share of funding in healthcare will be 12% for the allocated areas.



## Trade



Financing of the trade sector is aimed at developing wholesale and retail trade, as well as supporting export-oriented companies. This will help expand markets for Kyrgyz goods, especially in EU countries, using Hungary as a logistics hub. The Fund will also support the implementation of international quality standards for Kyrgyz products.

## Tourism



Investments in tourism will be aimed at creating infrastructure to attract foreign visitors, developing ecotourism and promoting the unique natural and cultural resources of Kyrgyzstan, such as routes along the Great Silk Road. Hungary, with its developed tourism infrastructure, can share its experience in creating tourism products. This area has high potential for economic growth and attracting foreign investment.

## Energy



The fund will focus on developing renewable energy sources, such as hydropower and solar energy, to increase Kyrgyzstan's energy independence and reduce its carbon footprint. This is in line with international climate commitments and global green energy trends. The forecast growth in energy financing will be 86% on the loan portfolio (from 8,000 to 14 900 thousand US dollars). Hungary, which is actively developing renewable energy sources, can become a technological partner in the implementation of such projects. Within the “Energy” direction, the Fund will focus on projects that correspond to the development vector “Green Energy Center” of the National Development Program of the Kyrgyz Republic until 2030. This includes supporting the construction of small hydropower plants to increase electricity production, reduce energy dependence and provide energy to remote areas. Such initiatives will help address regional imbalances through infrastructure development and job creation, consistent with national priorities. The Fund will actively attract Hungarian partners to introduce advanced technologies and ensure compliance with international standards of sustainable development.

These areas were chosen based on their potential for sustainable development, job creation and strengthening economic cooperation between Kyrgyzstan and Hungary.



## **5. INTEGRATION ESG PRINCIPLES**

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Integration of ESG principles (environmental, social responsibility, governance) into the Fund's activities is an important step to ensure sustainable development, increase investment attractiveness and compliance with global standards. This approach will allow the Fund not only to strengthen economic cooperation between Hungary and Kyrgyzstan, but also to make a significant contribution to achieving national goals, including sustainable development and attracting investment.

### **Ecological principles (Environmental)**

The fund will give priority to projects that reduce the carbon footprint, efficiently use natural resources and improve the environmental situation. Within the Fund, this will be achieved through optimization of its own operations, including reducing office energy consumption and introducing environmentally friendly technologies in administrative processes. For clients, the Fund will establish criteria for assessing the environmental performance of projects, such as the use of renewable energy sources (hydro and solar energy), the implementation of waste management systems and minimizing environmental impact. Hungary, with its experience in implementing EU environmental standards, can provide technological support for the implementation of such initiatives,



including modern solutions in the field of energy efficiency and waste recycling.

### **Social responsibility**

The Foundation strives to create long-term social effects through the implementation of projects aimed at improving the quality of life, creating jobs and developing regions. Within the Fund, this will be ensured through the development of a corporate culture, including equal opportunities for employees, professional growth programs and support for social initiatives among staff. For clients, the Fund will implement social criteria for borrowers, including creating jobs in rural areas, improving access to health services and developing infrastructure in remote regions. Projects in the agro-industrial complex and tourism will contribute to employment, and initiatives in healthcare, using Hungarian technology, will improve the quality of medical services. This will also support the elimination of regional imbalances, which is consistent with sustainable development goals.

### **Corporate governance (Governance)**

The Fund will implement best governance practices to ensure transparency, accountability and efficient use of resources. Within the Fund, this will be achieved through strengthening the corporate governance system, including independent audits, regular updating of internal policies and the introduction of ethical standards for employees. For clients, the Fund will develop requirements for transparency in project management, including monitoring the intended use of funds, compliance with anti-corruption standards and regular reporting. In accordance with the principles of a sustainable financial sector, the Fund will strengthen the system risk management, including IFRS 9 standards, and will provide transparent mechanisms for assessing projects to attract

strategic investors. Regular business forums and consultations with Hungarian and Kyrgyz partners will strengthen trust and ensure open dialogue.

### **Integrating ESG into operations**

To successfully implement ESG principles, the Fund will implement an integrated approach, covering both internal processes and interaction with clients. Within the Fund will be developed and implemented internal ESG standards, including environmental goals, employee social programs and risk management procedures. A system for assessing projects for compliance with ESG criteria will be created for clients, including environmental efficiency (emission reduction), social impact (job creation) and quality of management (transparency of reporting).

Monitoring and reporting of ESG indicators such as carbon footprint reduction, job creation and transparency will be integrated into the monitoring framework described in the Monitoring and Evaluation section.

The application of ESG principles will allow the Fund not only to comply with global trends in sustainable development, but also to strengthen its role as a reliable partner in the implementation of the strategic goals of Kyrgyzstan and Hungary. This will create a solid foundation for long-term economic growth, improving the quality of life of the population and deepening bilateral cooperation, ensuring the achievement of the priorities of the National Development Program of the Kyrgyz Republic until 2030, such as the development of green energy, eliminating regional imbalances and supporting small and medium-sized businesses.



## 6. MODERNIZATION AND DEVELOPMENT OF THE FUND

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To implement the strategy for 2026–2028 The Fund will focus on a comprehensive modernization of its activities aimed at increasing operational efficiency, introducing advanced management practices and adapting to global and regional challenges. Modernization will affect key aspects: improvement of corporate governance, digitalization of processes, development of human capital and strengthening of the risk management system. These changes will allow the Fund to effectively support priority areas such as agriculture, energy and healthcare, as well as strengthen economic cooperation between Hungary and Kyrgyzstan within the framework of international and regional initiatives, including integration with the EAEU and access to EU markets.

### Improving management

The Fund will improve its corporate governance system to ensure transparency, accountability and compliance with international standards, which will increase confidence on the part of partners and investors.

**Increasing investment attractiveness:** The fund will use Hungary's experience in attracting European investors, introducing best practices for project promotion and ensuring compliance with EU requirements. This will increase interest in projects in priority areas such as renewable energy and water management.

**Creation and optimization of committees:** Key committees such as investment committee, risk committee and audit committee will be formed. These structures will provide stricter control over the selection and implementation of projects, including



major initiatives such as the construction of small hydropower plants or the modernization of wastewater treatment plants.

**Strengthening interaction with partners:**

The Fund will develop coordination mechanisms with Hungarian and Kyrgyz partners, including regular working groups and joint consultations. Particular attention will be paid to integration with regional initiatives such as the EAEU to support the export of Kyrgyz goods through Hungarian logistics hubs to EU markets.

**Increased transparency:** will A system of regular reporting has been introduced, including the publication of annual reports and data on key performance indicators (KPIs). This will ensure accountability to shareholders and partners, and will also increase confidence in the Fund as a reliable financial institution.

These measures will allow the Fund to effectively manage a growing portfolio of projects, which by 2028 will amount to 51 000 thousand US dollars for issued directions and 50 640 thousand US dollars on the loan portfolio, as well as strengthen its role in economic cooperation between Hungary and Kyrgyzstan.

## Team development

Human capital is a key factor in the success of the Fund, and during the period 2026–2028 measures will be implemented to improve the qualifications of employees and strengthen the team.

**Personnel planning system:** The Fund will develop a long-term HR plan that will take into account the need for specialists to implement projects in priority sectors such as energy, healthcare and tourism. This will allow engage experts with the necessary competencies in advance.

**Training and development:** Training programs will be organized in key areas, including project management, financial analysis, implementation of ESG standards and working with digital tools. Particular attention will be paid to studying the experience of Hungary in managing investment projects, which will help adapt best practices to the conditions of Kyrgyzstan.

**Employee motivation:** will a motivation system has been introduced, including bonuses for achieving key indicators (for example, level and quality loan portfolio) and opportunities for professional growth. This will help retain qualified specialists and attract new talent.

These measures will allow the Fund to form a team capable of effectively managing complex projects and ensuring the achievement of strategic goals.

## Risk management

The Fund will create a unified risk management system, introducing new methods to ensure resilience in the face of economic and geopolitical uncertainty.

**Principles of risk management:**

- Independence: centralization of risk management functions, separated from other departments.
- Collegiality: decisions are made by committees (Fund Council, Management Board, Credit Committee).
- Comprehensive assessment: a comprehensive analysis of the Fund's condition, including stress testing.



**Risk management tasks:** Identification, assessment, monitoring and control of risks. Classification includes:

- **Credit risk:** Management through a risk-based process. Assessment using internal ratings, statistical methods and stress tests. Monitoring includes early warning signals and debt resolution procedures.
- **Market risk:** Estimation of losses from changes in interest rates and exchange rates.
- **Risk of loss of liquidity:** Management through cash flow planning and setting limits.
- **Operational risk:** Minimizing losses through internal control, insurance and outsourcing.
- **Legal and reputational risk:** Monitoring legislation, standardizing operations, implementing the Know Your Customer principle and personnel policies to maintain reputation.

#### **Additional measures:**

Implementation of IFRS 9 standards for assessing potential losses.

Monitoring external risks (inflation, geopolitics, climate change) with analytics from Hungarian partners.

Personnel training in risk management with the participation of Hungarian experts.

These measures minimize risks while ensuring sustainability and achieving goals, including growing the funding portfolio and supporting priority sectors.

## **7. STRATEGY IMPLEMENTATION PLAN**

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To successfully achieve the goals of the strategy, clear planning and consistent implementation of activities are required. This section describes the main stages of implementation, responsible structures and key activities aimed at effective implementation of the strategy.

### **Stages and deadlines**

Strategy for 2026-2028 will be implemented in three stages, each of which is aimed at achieving the goals of the Fund, including expanding investment cooperation, developing the export potential of Kyrgyzstan and modernizing the economy.

#### **2026 year (preparatory stage):**

The main focus is creating the foundation for implementing the strategy. At this stage, priority areas will be identified, partnerships will be formed and governance mechanisms will be developed.

- Development of a detailed implementation plan taking into account forecast indicators: 51 000 thousand US dollars for issued directions and 50 640 thousand US dollars on the loan portfolio by 2028.
- Determination of priority sectors of financing (agriculture, energy, healthcare, tourism).
- Formation of partnerships with Hungarian and Kyrgyz government agencies, businesses and international organizations, including participation in EU programs.
- Creation of mechanisms for monitoring and evaluating performance, including the introduction of a system of key indicators (KPIs), covering economic, social and environmental aspects.



### **2026–2027 (active implementation):**

The main stage of implementation aimed at large-scale financing of projects, strengthening cooperation and increasing the visibility of the Fund.

- Large-scale financing of projects in priority sectors: agriculture, energy And healthcare.
- Regular monitoring and adjustment of strategic directions based on analytical data, including return on capital and targeted use of funds.
- Raising awareness of the Foundation's activities: publishing reports, highlighting successful projects such as small constructions Hydroelectric power station.
- Launch of support programs small and medium enterprises, organization of business forums in Bishkek.

### **2028 (optimization and sustainable development):**

The final stage aimed at assessing results, adjusting the strategy and preparing for the next development cycle.

- Assessment of achieved results: achievement of target indicators, analysis of economic effects such as job growth, exports and taxes.
- Analytics-based strategy adjustment: review of priorities taking into account external conditions, including inflation, geopolitical factors and climate change.
- Development of new financial instruments: launch of mechanisms co-financing with international partners, including EU funds.

## **Responsible structures and coordination mechanisms**

For the successful implementation of the strategy, responsible structures and

coordination mechanisms have been identified to ensure effective management and control.

### **Foundation Council:**

- Approves strategy and key indicators (KPIs).
- Monitors execution, including achieving projected funding levels.
- Makes decisions on strategy adjustments based on monitoring external conditions.

### **Board:**

- Organizes strategy implementation: coordinates project financing And interaction with partners.
- Ensures the implementation of activities, including the launch of support programs small business and organizing business forums.
- Responsible for process automation, including digitalization of application submission and project evaluation.

### **Finance and Analytics Service:**

- Conducts monitoring and evaluation: collects data on KPIs, including contribution to the economy, return on capital and targeted use of funds.
- Analyzes external risks such as Hungarian inflation, geopolitical factors and climate change, with the involvement of Hungarian partners.
- Prepares analytical reports to adjust the strategy (quarterly and annual).



### **Lending and investment service:**

- Coordinates the financing of projects in priority sectors, ensuring the targeted use of funds and the growth of the Hungarian component.
- Organizes interaction with investors: holds consultations with Hungarian and international partners, prepares investment proposals for business forums.

### **Partner organizations:**

- Hungarian and Kyrgyz government agencies, businesses and international organizations are involved in the implementation of projects, for example, the supply of Hungarian technologies for the agricultural industry.
- Provide co-financing through programs syndicated loans.

### **Coordination Mechanisms:**

- Regular meetings of the Foundation Council to discuss progress and adjust plans.
- Internal analytics reports (monthly) and annual reports with data visualization, including graphs and charts.
- Feedback from beneficiaries, such as Kyrgyz exporters, and program participants through working groups and consultations.

### **Key events**

Activities are distributed by year taking into account the Fund's objectives, including financing, modernization, risk management and cooperation development.

#### **2026:**

- Development of a detailed implementation plan with forecast indicators.
- Determination of priority areas of financing (agriculture, energy, healthcare, tourism).
- Signing agreements with partners: Hungarian companies, for example, in the agricultural industry and water technologies, Kyrgyz government agencies and international organizations.
- Analysis and integration of projects corresponding to the National Development Program of the Kyrgyz Republic until 2030 into the Fund's investment portfolio. In particular, reallocating existing financial resources to accelerate the implementation of green energy initiatives and eliminate regional imbalances.
- Consulting with borrowers to develop business plans that include social contracts and educational programs for the local population, which will strengthen the projects' contribution to the development of small and medium-sized businesses and the regional economy.
- Preparation of proposals for the inclusion of projects in the package of investment ideas for strategic investors within the framework of the cross-cutting priority of the 2030 Program for attracting investments.
- Creation of a digital platform to automate the submission of applications, evaluation and monitoring of projects.
- Implementation of a risk management system.
- Launch of pilot financing programs in the agricultural and energy sectors, including projects to introduce Hungarian technologies.



- Formation of an analytical base: collecting data on investment opportunities in priority sectors such as ecotourism and healthcare.
- Creation of a performance monitoring system: implementation of KPIs, including contribution to the economy, profitability and targeted use of funds, using digital tools.
- Organization of a business forums in Bishkek to strengthen business ties between Hungarian and Kyrgyz entrepreneurs.
- Training of personnel on project management, ESG standards and digitalization.

#### **2027:**

- Large-scale attraction of Hungarian investors for the implementation of strategic projects, for example, in healthcare, through participation in EU programs.
- Expansion of SME support programs: preferential loans, subsidies for exporters (agriculture, textiles), assistance in implementation of quality standards for entering the EU market.
- Development of infrastructure projects: financing of wastewater treatment plants, small hydroelectric power plants, tourism infrastructure, for example, routes along the Great Silk Road, using Hungarian experience.
- Holding a business forum in Budapest to attract Hungarian companies and exchange experience.
- Increasing the Hungarian component in projects through new requirements for joint initiatives.
- Monitor external risks such as inflation and geopolitics and adjust strategy based on analytics.
- Assessing the contribution of projects to eliminating regional imbalances and developing small and medium-sized businesses in agricultural and industrial regions, followed by presentation of the results at a business forum to attract new Hungarian investors.

- Develop recommendations for scaling up successful green energy projects to other regions, with an emphasis on achieving the national target for the share of renewable energy sources.
- Increase in the paid authorized capital of the Fund from \$26 million to \$50 million.

#### **2028:**

- Evaluation of achieved results: analysis of KPI implementation, economic effects (jobs, exports, taxes).
- Adjustment of strategy based on monitoring data: revision of priorities taking into account external conditions.
- Strengthening international cooperation: expanding partnerships with the EU and EAEU for the export of Kyrgyz goods through Hungary.
- Publication of the final report on the implementation of the strategy with recommendations for the next cycle.



## 8. MONITORING AND EVALUATION

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### Monitoring methodology

Monitoring is a key tool for assessing the effectiveness of strategy implementation for 2026-2028. It aims to ensure transparency, timely identification of deviations and adjustment of actions to achieve set goals.

#### Data collection and analysis:

Monitoring covers key performance indicators (KPIs), including economic (job growth, increased tax revenue, export volume), social (improved quality of life, access to medical services) and environmental (reduced carbon footprint, improved water supply) aspects.

Specific indicators are monitored: the Fund's contribution to the economy of Kyrgyzstan, the targeted use of loan funds (the share of deviations is no more than 5%).

An analysis of client performance is carried out: data on revenue growth, productivity and exports of financed projects is collected.

#### Tools and approaches:

Field studies are carried out: regular visits to beneficiaries to assess actual results, for example, checking the operation of a small hydroelectric power station or modernized equipment.

#### Frequency and control:

Monitoring is carried out quarterly with an emphasis on early identification of risks, such as delays in project implementation or misuse of funds.

Particular attention is paid to projects with a high Hungarian component to ensure that



procurement requirements for Hungarian goods and services are met.

The monitoring results are recorded in a single database by the Analytics Service and submitted to the Management Board for consideration.

### **Reporting system**

The reporting system ensures transparency, accountability and awareness of all participants in the process, including partners, investors and government agencies.

#### **Formats and frequency:**

Quarterly analytical reports include data on the progress of strategy implementation: funding volumes, KPI implementation (job growth, exports), identified problems (project delays).

Annual reports present the full picture: financial results, economic effects (increased tax revenues), recommendations for the next year.

The reports are adapted for different audiences: for partners - an emphasis on investment opportunities, for government agencies - on social and environmental effects.

#### **Visualization and accessibility:**

Data is visualized using graphs, charts and infographics: for example, portfolio growth dynamics by industry, share of the Hungarian component, social indicators.

Reports are published on the official website of the Fund and are provided to partners in electronic and printed form for ease of analysis.

#### **Approval Process:**

All reports are pre-checked Finance and Analytics Service for data accuracy and compliance with Foundation standards.

The final documents are approved by the Fund's Board at annual meetings, after which they are sent to key partners, including Hungarian investors and Kyrgyz government agencies.

### **Strategy review mechanism**

The flexibility of the strategy allows the Fund to adapt to changing external conditions while maintaining focus on achieving goals.

#### **Environmental monitoring:**

Regular analysis of macroeconomic data is carried out: inflation in Hungary (forecast for 2026 year - 4–5%), GDP growth in Kyrgyzstan (forecast for 2026 year - 6%), the world economy (growth by 3.1% according to the IMF).

Political factors are monitored: changes in the “Eastern Opening” policy of Hungary, the geopolitical situation in Central Asia, sanctions on Russia as a member of the EAEU.

Market trends are analyzed: growing demand for organic products (10% per year), ecotourism (15% per year), renewable energy sources (40% by 2030).

#### **Revision process:**

If significant changes are identified (for example, inflation growth is higher than expected, new sanctions), the Fund Council initiates a review of the strategy.

A working group is being formed from representatives of the Fund Council, the analytical service and the lending and investment service to analyze the situation.



The working group is preparing proposals for adjustments: revising funding priorities (for example, increasing the share of ecotourism projects), introducing new tools to reduce risks.

#### **Approval and implementation:**

Proposals are discussed at a meeting of the Foundation Council and approved by a majority vote.

Approved changes are made to the strategy and brought to the attention of all participants: executive management, partners, beneficiaries.

The updated strategy is published on the Foundation's website, and key partners are informed through official letters.

#### **Adaptability to challenges:**

The mechanism allows you to quickly respond to challenges, such as climate risks (droughts, floods) affecting the agricultural industry and energy, or economic risks (Kyrgyzstan's dependence on gold exports).

The sustainability of the strategy is ensured: priority objectives (export growth, economic modernization) are maintained even when conditions change.

## **9. CONCLUSION**

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Strategy for 2026–2028 creates a strong foundation for sustainable development of Kyrgyzstan and a strengthened partnership with Hungary, ensuring long-term economic and social impact.

#### **Final results:**

By 2028, the Fund will achieve significant growth: the volume of funding will be 51 000 thousand US dollars for issued directions and 50 640 thousand US dollars in the loan portfolio, which will finance key sectors such as agriculture, energy and healthcare.

Economic effects include the creation of new jobs, especially in rural areas, increased tax revenues to support government programs, and increased exports of Kyrgyz goods (agriculture, textiles) to EU markets via Hungary.

Social and environmental effects: improving the quality of life through improved medical services and water supply, reducing the carbon footprint through the development of renewable energy sources, strengthening cultural ties through joint tourism projects, such as routes along the Great Silk Road.

#### **Role of the Foundation:**

It will act as a platform for the exchange of experience and technology between Hungary and Kyrgyzstan, promoting the modernization of key sectors such as agriculture and energy using Hungarian solutions.

The fund will strengthen bilateral ties by creating a favorable environment for Hungarian investors and Kyrgyz entrepreneurs, as well as integrating projects with regional initiatives such as the EAEU and EU programs.

#### **Strategic importance:**

The implementation of the strategy will allow Kyrgyzstan to reduce dependence on traditional export markets (for example, gold) and diversify the economy through the



development of exports of organic products and ecotourism.

For Hungary, the strategy will strengthen the Eastern Opening policy, opening up new opportunities for Hungarian companies in Central Asia and strengthening trade ties.

Joint projects, such as the construction of small hydroelectric power plants and the modernization of medical facilities, will become an example of successful partnership, demonstrating the potential for further cooperation.

**Call for cooperation:**

The Fund invites government agencies, private companies, international organizations and Hungarian investors to cooperate to implement this strategy.

We call for joint efforts to achieve common goals: creating new jobs, introducing advanced technologies, improving the quality of life and strengthening economic partnerships.

Together we can make a significant contribution to the sustainable development and prosperity of Kyrgyzstan and Hungary, laying the foundation for long-term and mutually beneficial cooperation.