



Policy Brief

**Addressing Socio-Economic Inequality: Decent
Work in CAREC'S Green and Digital Transitions
in the Kyrgyz Republic**

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Executive Summary

Green and digital transformations in the Kyrgyz Republic present significant opportunities to modernize the economy, create new jobs, and make regional development more sustainable. If accompanied by well-thought-out social policies and institutional mechanisms that ensure the involvement of broad segments of the population, these processes can become a source of qualitative growth. However, serious structural barriers remain: high levels of informal employment, gender inequality, limited prospects for young people and pronounced regional disparities.

The informal sector accounts for around 59% of all jobs in the country. In rural areas, more than 80% of jobs are informal. This means that most workers do not have access to pension savings, health insurance, or unemployment and maternity benefits. This situation undermines social protection and limits opportunities for professional growth. Gender inequality remains significant, with women's participation in the workforce standing at just 43.5%—almost a third lower than that of men. This is due to a lack of accessible childcare facilities (coverage for preschool-age children does not exceed 25%) and a continuing wage gap across all sectors.

Young people are in an even more vulnerable position: nearly 80% of young workers begin their careers in the informal economy, primarily in agriculture and seasonal work. The high proportion of young people who are Not in Education, Employment or Training (NEET) creates the risk of a 'lost generation' with limited prospects. There are also noticeable regional differences: in southern and mountainous areas, the poverty rate exceeds 40%, whereas in Bishkek it is below 20%.

Although digitalization has reached almost the entire population thanks to the expansion of mobile communications and school connectivity, actual technology skills remain extremely low. Research shows that 98% of adults have only basic or below-basic digital skills. This restricts their access to employment opportunities in rapidly growing sectors related to information technology and digital services. Women, rural residents and older citizens are particularly vulnerable due to a lack of skills and equipment.

The green economy is developing piecemeal: initiatives are being implemented in sustainable agriculture, energy conservation, and ecotourism. However, access to financing and training remains limited for women, young people and informal sector workers. Without specially designed programs, vulnerable groups are at risk of being pushed out of the labor market.

The key recommendations for ensuring a fair transition are as follows:

1. *Encourage the formalization of employment.* Introduce portable insurance schemes, simplified tax regimes, and a 'one-stop shop' for paying social contributions for seasonal and informal workers. This will reduce vulnerability and expand access to social protection.
2. *Expand care infrastructure and equal opportunities for women.* Launch a three-year program to increase the number of kindergartens in regions with high poverty levels and strengthen the enforcement of equal pay principles.
3. *Develop skills for green and digital jobs.* Establish regional training centers (e.g. in Osh, Naryn and Jalal-Abad) offering short-term courses in basic digital skills, solar and wind power maintenance, energy-efficient construction, and e-commerce.
4. *Support regions lagging behind in development.* Establish a dedicated financing scheme for SMEs, cooperatives and women's/youth initiatives, with a focus on green technologies and digitalization. Priority areas could include ecotourism, agricultural processing and online services.

5. *Introduce a monitoring and adjustment system.* Publish a quarterly 'Inclusive Transition Index' including indicators on informal employment levels, preschool education coverage, women's participation in the workforce, youth employment and regional program results.

The Kyrgyz Republic is in a strong position to use green and digital transformation as a tool for equitable growth and reducing inequality. However, if no action is taken, the country risks exacerbating existing disparities and missing out on opportunities for sustainable development.

Introduction

The Kyrgyz Republic is at a turning point in its social and economic development, and the country's future path will be determined by the decisions it makes in the coming years. On the one hand, the country has the potential for accelerated growth by using renewable energy sources, developing ecotourism, and exploiting digital technologies. However, persistent structural vulnerabilities, such as high dependence on remittances, excessive informal employment, insufficient social protection coverage and regional disparities, create serious constraints on the equitable distribution of the benefits of transitioning to a green and digital economy.

Over the past two decades, significant changes have been seen in Kyrgyz Republic's economy. GDP growth has mainly been driven by exports of gold and remittances from migrant workers. Despite growth in certain sectors, social and regional disparities persist: the poverty rate exceeds 40% in southern and mountainous areas, whereas in Bishkek it is less than 20%. These disparities limit access to education, healthcare, infrastructure, and digital services for the population.

The current structure of the labor market significantly hinders the potential for modernization, more than half of those in employment work in the informal sector, which makes them extremely vulnerable to economic shocks and deprives them of access to social guarantees. Women and young people are in an even more vulnerable position: women's participation in the economy is one-third lower than that of men, and more than 79% of young people starting their careers do so in the informal sector, often in low-paid and unstable jobs.

Digital transformation is developing in parallel and the Digital Kyrgyzstan 2019–2023 program has ensured almost universal mobile coverage and internet connectivity for schools. However, basic accessibility does not guarantee equal participation in the digital economy: 98% of adults have only basic technology skills. The problem is particularly acute among women, rural residents and older citizens, who face not only low levels of digital literacy but also limited access to devices.

The green agenda is also present in government strategies, including the promotion of renewable energy, sustainable agriculture, energy efficiency and the development of ecotourism. However, in practice, such initiatives are still sporadic and rarely cover workers in the informal sector, women and young people, additionally existing funding and training programs are often concentrated in cities, which exacerbates regional disparities.

The key problem is that structural inequalities can negate the potential benefits of transitioning to a green and digital economy. Without targeted government policies, these transformations could widen the gap between different population groups and regions. However, with proper planning and implementation, these changes could provide a valuable opportunity to reduce poverty, improve employment quality and promote sustainable development.

This policy brief proposes comprehensive measures to ensure a fair and inclusive transition for the Kyrgyz Republic to a green and digital economy. It is based on an analysis of the structural causes of

social inequality and the current state of the labor market, as well as promising areas of development. It is intended for government agencies responsible for economic planning, social policy, and human capital development, as well as for international partners supporting reforms in the Kyrgyz Republic.

Methodology

The analysis of socio-economic inequality, decent work and the transition to a green and digital economy in the Kyrgyz Republic was based on a combination of quantitative and qualitative methods, as well as on a study of the regulatory framework and strategic documents. This multi-layered approach made it possible not only to assess the scale and nature of existing problems, but also to identify systemic constraints that hinder the implementation of the principles of a just transition.

Political and Legal Analysis

The first stage involved taking an inventory of key national strategies and programs, including: Digital Kyrgyzstan 2019–2023, the Concept of Digital Transformation 2024-2028 and the National Strategy for Sustainable Development, as well as sectoral programs on the green economy, energy and social policy. The analysis covered not only the stated goals, but also the implementation mechanisms, the degree of institutional coordination and the existence of cross-sectoral links. Particular attention was paid to how government documents link the digital and green agendas with reducing inequality and expanding employment.

Quantitative Data Analysis

International databases were used to identify trends and the current state of affairs.

- Social Progress Index (SPI): to assess satisfaction with basic needs, opportunities for development, and equal access.
- Human Development Index (HDI/IHDI): to evaluate living standards, taking into account income, education and life expectancy inequality.
- World Inequality Database (WID): to analyze the concentration of income and wealth in different population groups.
- Energy Transition Index (ETI): to assess readiness for a green transition.
- Network Readiness Index (NRI): to assess digital infrastructure, skills and governance.
- ILO Decent Work Indicators: to analyze employment, income levels, working conditions, social protection, and gender differences.

National sources were also used, including data from the National Statistical Committee of the Kyrgyz Republic, and specialized reports from international organizations: World Bank publications, Asian Development Bank publications and etc.

Qualitative Methods: Interviews and Focus Groups

The third stage involved qualitative research, including key informant interviews and focus groups with representatives of government agencies, businesses, trade unions, non-governmental organizations and local communities. These discussions gathered data on perceptions of digital and green transformation, barriers to participation for vulnerable groups, and assessments of the effectiveness of current government initiatives. These methods made it possible to identify aspects that are not directly captured by statistics, such as:

- gender barriers in the labor market;
- problems with access to education in rural areas;
- poor coordination between authorities in the implementation of programs;
- difficulties in applying new technologies in the traditional sectors.

Limitations

The study encountered several limitations: firstly, there are gaps in national statistics, particularly with regard to informal employment, regional differences, and the quality of social services; secondly, data from different sources are not always comparable in terms of methodology, which restricts the scope for cross-country comparisons; thirdly, the sample size of the interviews and focus groups was limited, and they reflect the opinions of individual stakeholders rather than the population as a whole.

Theoretical and Methodological Framework

The analysis was based on the concept of a 'just transition', assuming that green and digital modernization of the economy should be combined with expanding employment opportunities, developing a social protection system and reducing structural inequality. The study also employed institutional economic approaches to explain the relationship between policy, institutions, and labor market outcomes.

The research methodology combines three key components: normative analysis, quantitative data, and qualitative evidence. This enables us to not only describe the current challenges facing The Kyrgyz Republic, but also to formulate realistic and applicable recommendations that take into account both international standards and the local context.

Literature Review

The study of social inequality and decent work prospects in the Kyrgyz Republic is closely linked to the regional context of Central Asia and the results of comparative studies conducted within the framework of CAREC initiatives and international organizations. The accumulated body of literature and empirical data indicates that, in the context of the green and digital transition, the country faces the risk of reproducing old disparities if reforms are not accompanied by inclusive policies.

Socio-Economic Inequality: Many researchers (e.g. Mihályi & Szelényi, 2016; Sanghera, 2023) have noted that economic transformation in post-Soviet countries, including the Kyrgyz Republic, has resulted in the emergence of a rentier economy and the accumulation of wealth by a small elite. The CAREC Institute's recent report on socioeconomic inequalities (CAREC Institute, 2026) highlights those countries in the region have 'average incomes but extreme levels of inequality', a situation linked to the historical legacy of privatization and weak institutions (Chancel et al., 2022; Qureshi, 2023).

Informal Employment and Its Consequences: According to the ILO (2020, 2021, 2023) and the CAREC report, the informal sector in the Kyrgyz Republic is systemic. In 2023, it accounted for 58.8% of employment, with the figure being even higher in rural areas at over 80%. A study by Tilekeyev et al. (2021) shows that incomes in the informal sector can be higher than in the formal sector, particularly for public sector roles. However, the lack of social protection can lead to vulnerability, keeping in mind that women and young people are disproportionately represented in the informal sector, which increases the risk of social exclusion.

Gender Aspects: According to the UN Women (2022) and CAREC Institute (2026) reports, women's participation in the labor force in the Kyrgyz Republic is only 43.5%, which is significantly lower than that of men. The underdevelopment of preschool education infrastructure, with coverage of less than 25% of children under seven years of age, limits women's opportunities to enter the labor market. The existing analysis indicates a persistent wage gap, as well as 'double exclusion' for women in rural areas, where they have limited access to digital skills and financing (Roland-Holst et al., 2023; Zhghenti, 2021).

Youth and Labor Markets: According to data from the ILO and CAREC Institute, young people in the Kyrgyz Republic are at high risk of being classified as NEETs. Over 79% of young people in employment are in the informal sector, primarily in seasonal and low-skilled roles. Research by the OECD and UNICEF (2021) indicates that the education system does not offer adequate training in digital professions, and that regional disparities restrict opportunities for rural youth.

Regional Differences: The report shows that the poverty rate exceeds 40% in southern and mountainous regions such as Batken and Naryn, while in Bishkek it remains below 20% (UN Kyrgyz Republic, 2023). These disparities create long-term differences in access to education, healthcare and infrastructure. These regional disparities reinforce the 'dual economy' between the capital and the periphery.

Digital Transformation: Although the Digital Kyrgyzstan 2019-2023 program has ensured almost complete mobile coverage, a study by Hou et al. (2020) showed that 98% of adults have only basic digital skills. CAREC Institute (2026) emphasizes that digital inequality is particularly prevalent among women and rural residents. Studies by Zhghenti (2021) and Insebayeva and Beyssembayev (2023) also highlight that, while the growth of the platform economy creates new opportunities for flexible employment, it also poses risks such as income instability and a lack of social security.

Green Transition: Although the Kyrgyz Republic has a comparative advantage in hydropower, the ADB (2021) and UNECE (2023) have noted weak investment in renewable energy and energy efficiency. CAREC Institute (2026) emphasizes that green programs do not yet cover vulnerable groups and that, without the integration of employment and social protection issues, the green transition could exacerbate inequality.

Concept of Just Transition: According to the literature on just transitions from the ILO, UNDP and OECD, as well as the CAREC Institute's report, green and digital reforms must be accompanied by expanded employment opportunities, social protection and targeted support for women, young people and rural residents. According to experts (Semenov & Semenov, 2024; Pazylov et al., 2023), otherwise modernization will exacerbate existing disparities.

The review of literature and reports demonstrates a general trend: the Kyrgyz Republic is at a point where green and digital transformations can either reduce social inequality or reinforce it. The main risk factors are informal employment, gender barriers, regional differences, and low levels of digital and green skills. Given this, the development of an inclusive transition strategy becomes a key priority for public policy.

Analysis of the Current Situation in the Kyrgyz Republic

Socio-economic development in the Kyrgyz Republic is currently determined by a combination of persistent structural problems and new challenges related to the green and digital transitions. Despite consistent efforts by the state and international partners to reduce poverty and create new

employment opportunities, social inequality remains high and multidimensional—affecting income, regional distribution, gender and age.

Labor Market and Employment

The labor market in the Kyrgyz Republic is characterized by a high degree of informality, according to ILO data from 2023, over 58% of employed individuals work in the informal sector, a figure that exceeds 80% in rural areas. This means that many workers do not have access to formal social security benefits, such as pensions, health insurance and unemployment benefits. Informal employment is particularly prevalent in agriculture, construction, trade, and domestic services.

The formal sector, which is primarily represented by state-owned enterprises, financial institutions, and certain industrial sectors, provides more stable employment opportunities; however, its scale remains limited. Meanwhile, the service sector is growing, and digitalization is creating new forms of employment, but these are often unstable (e.g. work through digital platforms).

Income and Poverty

Despite moderate economic growth, poverty indicators remain alarming, according to the World Bank (2026), approximately one quarter of the population lives below the national poverty line, with higher levels of poverty in rural and mountainous regions. Although income inequality, as measured by the Gini coefficient (0.2755), appears relatively moderate, this indicator masks significant differences between regions and social groups. For instance, the per capita income in the Osh and Jalal-Abad regions is notably lower than in Bishkek and the Chui region.

The growing generational gap deserves particular attention: even those with higher levels of education often face limited employment opportunities and are forced to migrate. Remittances from migrants account for a significant proportion of the country's GDP, indicating households' high dependence on external sources of income.

Gender Aspects

Women in the Kyrgyz Republic face multiple barriers in the labor market. They are less likely to participate in the workforce than men, particularly in rural areas where traditional social roles and a lack of childcare infrastructure limit their economic activity. Women are more likely to be employed in low-paid sectors such as education, healthcare, and trade. They also have limited access to management positions and entrepreneurship.

The gender gap is also widening in the digital sphere, with women being less likely than men to possess IT skills or have access to modern digital devices. This restricts their involvement in new types of employment connected to the digital economy.

Youth and Employment Prospects

Young people face high unemployment and limited opportunities to fulfil their potential. Although coverage of secondary and tertiary education remains high, the quality of training does not always meet the requirements of the labor market. A lack of practice-oriented programs, coupled with weak links between educational institutions and employers, creates a gap between the skills acquired and the real needs of the economy.

Employment on digital platforms (e.g. delivery, freelancing and IT services) is growing, with young people actively participating. However, such jobs tend to be unstable and do not offer social security or long-term professional development.

Regional Differences

The Kyrgyz Republic remains a highly territorially differentiated country. The capital and the Chui Province attract most of the investment, formal employment opportunities and infrastructure, whereas the southern and mountainous regions are characterized by limited access to quality services, high poverty levels and limited business opportunities. If new programs do not take territorial characteristics into account, this could lead to regional disparities becoming entrenched in the context of the green and digital transition.

Green and Digital Transition: Challenges and Opportunities

Green transition: The Kyrgyz Republic has significant potential in hydropower, renewable energy sources, and environmentally friendly tourism. However, modernizing the energy infrastructure requires substantial investment, and the social impact on miners and workers in energy-intensive industries remains insufficiently addressed.

Digitalization: The Digital Kyrgyzstan 2019–2023 and Digital Transformation Concept 2024–2028 strategies provide a regulatory framework for digital development. Nevertheless, the digital divide persists, with limited access to the internet and digital services in rural areas, and insufficient digital skills among the population to meet the requirements of the digital economy.

Institutional Environment and Social Protection

The social protection system only covers part of the population, according to ILO data from 2022, only 40% of workers participate in the pension system. Most of those employed in the informal sector remain uninsured in the event of illness or job loss. Although support programs for poor households exist, their scope and resources are limited.

Institutional constraints, such as weak coordination between ministries, a lack of funding, and low administrative capacity, hinder the effective implementation of employment and social protection policies.

The analysis reveals that the Kyrgyz Republic is grappling with a multitude of challenges, including substantial informal employment, regional disparities, gender and age-based inequalities, and inadequate social protection. If targeted measures are not taken to mitigate them, the green and digital transitions could exacerbate these challenges. However, these processes also offer the prospect of creating a more inclusive and sustainable development model if strategies are adapted to the country's social and economic realities.

Case Studies and Best Practices

The country's experience of implementing initiatives in the fields of digitalization and green entrepreneurship provides a number of examples that have already had a significant impact on improving inclusiveness and sustainable development. These cases demonstrate how, with political will, institutional support and the involvement of local communities, pilot projects can be transformed into sustainable practices.

Digital Skills for All Program

Since 2021, the Kyrgyz Republic has implemented a program aimed at developing digital skills among schoolchildren and young people, including those from rural and remote areas. The program is supported by government agencies, donor organizations, and local CSOs. To date, more than 20,000 young people have received training in basic digital tools, and some have also received training in programming and digital entrepreneurship.

Key findings include the creation of long-term sustainability of results through broad partnerships and integration of the program into the education system.

Best practices include institutionalization through the inclusion of digital competence courses in the state educational standard and the formation of a digital skills certification system for recognition in the labor market.

Women's Cooperatives in Green Entrepreneurship

In the Osh region and other areas of the Kyrgyz Republic, women entrepreneurs have established cooperatives for processing agricultural products using elements of the green economy, such as solar dryers, eco-friendly packaging, and waste minimization, with the support of international partners. These initiatives increase rural women's incomes and contribute to the development of sustainable local business models.

Key findings include that the involvement of women ensures the social inclusiveness and sustainability of projects; however, access to financing remains a serious barrier.

Best practices include establishing preferential lending mechanisms for women's cooperatives, providing institutional support through local authorities, and replicating successful models in other regions.

Sustainable Projects in the Agricultural Sector

In several rural areas of The Kyrgyz Republic, initiatives are being implemented to harness renewable energy sources for irrigation and product processing. For instance, installing solar panels to power water pumps has lowered farmers' costs and made agriculture more resilient to climate risks.

A key finding is that the combination of green technologies and donor support, demonstrated through local pilots, generates clear economic advantages for farmers.

Best practices include integrating successful solutions into government programs that support the agricultural sector and incentivizing them through tax breaks and subsidies.

The Way Forward: Implementation and Next Steps

In the Kyrgyz Republic, the main challenge is not the absence of strategies and concepts, but rather the discrepancy between adopted documents and their practical implementation by state bodies, communities, businesses, and municipalities. Therefore, future actions should focus on implementation mechanics—how institutions coordinate their efforts, allocate resources, and ensure accountability.

Institutional Architecture and Governance

At the political level, a government-led interdepartmental council is needed to ensure strategic control and coordination of priorities in the economic, social, digital, and environmental spheres. A specialized project office within the Ministry of Economy and Commerce could be assigned operational responsibility and authorized to implement results in four main areas: (i) formalization and social protection, (ii) skills development and employment, (iii) regional development and support for SMEs, and (iv) digital government and data systems. The relevant ministry will oversee each area, but coordination mechanisms, independent monitoring, and progress reviews should be mandatory.

Policy Instruments and Priority Measures

The initial steps should focus on translating concepts into concrete measures, this includes developing simplified microinsurance schemes for informal sector workers, launching municipal grant programs to expand access to preschool education, and establishing regional training and upskilling centers that offer short, employer-recognized courses. At the same time, a "green and digital window" for SMEs should be established through state financial institutions to offer preferential financing to enterprises that implement clean technologies or digital solutions. The top priority in the area of digital government is transferring key registries and information systems to the national G-Cloud and ensuring their interoperability through the Tunduk platform to reduce duplication and lower administrative costs for citizens and businesses.

Financing and Sustainability

While the state budget remains the foundation, success will depend on attracting international partners, using blended financing, and linking payments to results. Performance-based grants for municipalities, risk-sharing mechanisms for SME lending, and gradual preparation for the issuance of "green bonds" at the sovereign or municipal level will help expand the financial space for reforms.

Risk Management and Communication

Risks, including budget constraints, lack of administrative capacity, and political instability, must be taken into account. These risks can be mitigated through phased implementation, modular program design, and transparent public procurement procedures based on open contract principles. Regular briefings with regional stakeholders, publication of monitoring dashboards, and creation of feedback channels with citizens will strengthen public support and ensure that reforms are targeted effectively.

Conclusion

The Kyrgyz Republic is at a critical stage of socioeconomic development where parallel processes of digital transformation and green transition are creating significant opportunities and new challenges. The country's potential stems from its human capital, strategic geographical location, and international support through CAREC initiatives and other development partners. However, without comprehensive institutional reforms and targeted measures, government policy risks failing to overcome existing imbalances and exacerbating social inequality.

Equal access to opportunities is a key focus of the future agenda and this means for the Kyrgyz Republic creating a social protection system that covers formally and informally employed workers, as well as the rural population and labor migrants. Expanding the coverage of insurance mechanisms, unemployment benefits, and support programs for vulnerable groups will mitigate the risk of leaving large segments of the population behind in the development process.

Eliminating gender and regional disparities is still an important priority. Women and young people must be equal beneficiaries of the green and digital economies, to achieve this, we need targeted programs that support women's entrepreneurship, investments in childcare and eldercare systems, and infrastructure development in rural areas, these measures will reduce social inequality and stimulate economic growth by involving new groups in the economy.

In the context of transitioning to a green economy, the country must pursue a consistent policy of reducing its dependence on subsidized fuels while encouraging investment in renewable energy, energy efficiency, and sustainable agriculture. To ensure a fair transition and prevent the growth of social tensions, this direction should be accompanied by the creation of new jobs and retraining programs.

In the context of digitalization, the priority must be to bridge the digital divide and access to the internet and digital services, as well as the necessary skills, must be guaranteed in both urban and rural areas. Together with the private sector and international partners, the state can develop initiatives to improve digital literacy and create online platforms for education and employment to increase the competitiveness of the workforce and reduce the risk of social marginalization.

Institutional stability and administrative coordination are still key to success. Introducing modern digital tools for public administration, developing analytical and human resources capacity in the civil service, and enhancing coordination between different ministries and agencies will ensure policy coherence and consistency.

The Kyrgyz Republic's overall strategic vision is to leverage green and digital transitions to build a more inclusive and sustainable economy. Implementing the proposed policy directions will reduce social disparities, strengthen public trust in institutions, and create equal access to new development opportunities. These changes will contribute to internal stability and prosperity and to the country's greater integration into regional and global processes.

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