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Analysis of the
Foreign Direct Investment
Situation in **Kyrgyzstan**

KYRGYZSTAN

23299

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

economy environment employment

Executive Summary

ANALYSIS OF THE FOREIGN DIRECT INVESTMENT SITUATION IN KYRGYZSTAN

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UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION
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1: Introduction

This survey of Foreign Direct Investment was undertaken in Kyrgystan between October and December 2002 under the direction of the UNDP Office in Bishkek. The objectives may be briefly stated.

- In general terms, to learn of the views of the existing FDI population on the success of their current investment in KYR.
- To understand the factors which initially motivated this investment.
- To ascertain investment performance in relation to investor expectations.
- To understand the reasons why performance exceeded or fell short of investor expectations.
- To obtain information about the mechanisms which encouraged or discouraged investment in KYR.
- To ask investors views on the current state of the investment climate in KYR under a number of important headings such as:

  - The pace of institutional reform.
  - Quality of legislation to support investment.
  - Fairness and consistency in enforcing investor's legal rights.
  - The impact of the regulatory environment.
  - The transparency of the decision-making process or any other factors that effect the overall climate within which the FDI population operates.

This survey also has a further important objective. This was to provide the FDI population with an adequate opportunity to suggest measures, which the government should undertake to improve the investment climate for existing and future investors in KYR. These included the Macro Business, Legal, Administration, and Incentive Environment.

The government in KYR currently views each of these issues as being of enormous importance. Many of them are at the core of the government's current initiatives to stimulate private sector investment in the Kyrgyz Republic as set out in the government's reform agenda under the 'Investment Matrix 111'.

Improving the climate for FDI and the institutional arrangements for promoting FDI in Kyrgyz form a critical part in this wide-ranging agenda. International experience clearly demonstrates that the existing FDI population - no matter how small - can play a critical role in providing a role model and reference frame for new investors in almost all countries. An important over-arching objective for this survey therefore is to use the collective knowledge of the existing FDI base to contribute to the process of reform in the Kyrgyz Republic.

This UNIDO study therefore assumes a facilitation role for the FDI community to actively contribute to this process. This also helps UNIDO and other similar development organizations to base their programmes of technical assistance on the practical experiences and perceptions of the FDI base.

The responses of the FDI Population to the questionnaire are presented and commented upon in detail in a PowerPoint presentation and the main findings are presented in this Executive Summary. Virtually all the findings and suggestions of this survey are directly relevant to the initiatives under consideration by the Government in the Kyrgyz Republic in the context of Investment Matrix 111. They include:

- The elimination of administrative barriers.
- The need to develop a strong financial sector.
- Developing an attractive customs and tax regime.
- Developing a fair and predictable legal environment.
- Creating an efficient trade policy.
- Re-organising marketing of FDI in the Kyrgyz Republic.

In general, it can be said that the entire range of issues addressed in the Matrix 111 agenda are strongly reflected in the findings of the survey. It should be noted that this survey is the first to be undertaken by UNIDO in the Kyrgyz Republic. It is therefore a pilot exercise and any future surveys will take into account any shortcomings of the present work.

2: The FDI Community in the KYRGZ Republic

- The major foreign investors in the Kyrgyz Republic are relatively few in number. Because of this, the survey attempted to involve not just a sample of investors but all those of significance in order to get as comprehensive a view as possible of their experience. This population was identified by the Investment Promotion Centre, the existing 'One Stop Shop' agency within the state committee of the Kyrgyz Republic on state property and direct investments. In all, a total of 24 investors, representing the main sectors in the Kyrgyz Republic provided the basis for the survey.

- The majority of the firms surveyed were small to medium in size with 65% employing less than 100 and only one with employment in excess of 1,000.

- As a reflection of this, the typical investment was less than $1 million. On the other hand there are a small number of firms whose investment exceeded $10 million.

- Most firms (75%) had less than $1million in sales.

3: Investor Plans and Motivation

The future growth pattern in the FDI sector as revealed by the survey will also be modest:

- 75% of firms indicating growth over the next three years of less than 3% per annum.
- Only one firm in 10 indicated growth in excess of 10% per annum.
- Future indicated investment by the vast majority of these firms is also likely to be fairly modest. However, most firms surveyed did plan to increase investment to some extent with two major investments in excess of $50 million indicated.
- When the investment intentions of the population surveyed were added, they came to an estimated $700 million over the next three years.
- The major proportion of this investment is highly concentrated and dependent on a small number of firms carrying out their intentions. In fact the vast majority of this investment is concentrated in no more than eight firms.
- The overall picture therefore is one where FDI at present in the Kyrgyz Republic is small in scale with most firms planning to expand at a modest rate within their present investment environment. Understanding why this is so is therefore a central aspect of the survey.

The motivation for firm's investment in the Kyrgyz Republic in the first place provides information on this.

- The key factors were the attractions of local and regional markets, the incentive package offered by the FEZ regime, availability and costs of labour.
- Most firms claim to have become aware of the investment opportunity through either their own research or business contacts.
- The activities of the government sponsored Investment Promotion Centre were not mentioned by any investors in relation to this aspect of the investment promotion process.
- They were, however, much more involved in other activities such as certification registration and the provision of information services where investors mostly valued their services. The overall expertise of officials was rated highly with higher levels of expertise being attributed to those working for the free zones.

- The data indicates, however, that there is room for much improvement in the role of the State in working pro-actively to promote increased FDI in the Kyrgyz Republic. Specifically, the State needs to create and empower an appropriate investment promotion agency to undertake this work. This issue has been identified by the government and is currently being pursued under activities covered by section 6 of the Matrix 111 Programme, which deals with investment marketing.

4: Investor Performance and Expectations

Attracting Foreign Direct Investment is a competitive business. International experience clearly demonstrates this and in practice national governments strive to generate as attractive an environment as they are capable of creating (given the resources at their disposal) to encourage FDI. International investors for their part are constantly seeking higher performance, better locations and improved returns on their capital. The performance of existing foreign investment in any location is therefore of critical importance when new investment is under consideration. Success breeds success in the competitive business of attracting FDI. Investors therefore consider the existing performance of FDI as an important issue. Because of this, investors surveyed were asked to rate the performance of their investment in the Kyrgyz Republic in relation to their initial expectations. Their experience was unfortunately unhelpful from at least the immediate point of view.

- Over 80% of investors indicated performance of their investment in the Kyrgyz Republic was either below or well below expectations.
- In fact, no single investor reported performance exceeding expectations.
- This undoubtedly explains an early finding of the survey, which indicates that the existing base is unlikely to grow rapidly either in terms of sales or investment.
- This finding stands apart from the relatively few large investors who do appear to have ambitious plans to expand.

Clearly there is a serious gap between expectations and actual performance of FDI in the Kyrgyz Republic. Understanding the reasons for this gap in the existing investment environment is essential if the correct remedial actions and policies are to be put in place in the Kyrgyz Republic.

5: Reasons for Performance Shortfall

The overall reasons for this situation were clearly revealed from the survey. Data from the survey indicated that the three most important reasons were:

- Regulatory factors were claimed as being responsible by more than 90% of those firms surveyed.
- Market conditions – (75%).
- Distribution conditions - (67%).

Each of the factors indicated are in one way or another symptoms of inefficiencies within the Investment Climate of the Kyrgyz Republic as they affect the FDI Population. The survey therefore sought to gain a more in depth understanding of this by questioning investors on their perceptions on the charactistics of the investment climate, their impact on investment performance and the steps been taken to improve this performance.

6: Characteristics of the Investment Climate in Kyrgyz Republic

The characteristics of the climate for FDI in the Kyrgyz Republic were surveyed and analysed under the following headings:

- The Pace of Reform.
- Quality of Legislation to support FDI.
- Fairness and Consistency in Enforcing Legal Rights.

- Regulations.
- Decision Making Transparency.
- Corruption.
- KYR Clarity of Objectives.
- Number of Ministries Involved in Promoting FDI.

The detailed responses are presented in the PowerPoint presentation itself. They may be briefly summarised as follows:

6.1 - The Pace of Reform

- In general investors were negative and felt that progress was poor or very poor.

6.2 - Quality of Legislation to support FDI

- Most investors felt that legislation was not supportive of FDI.

6.3 - Fairness and Consistency in Enforcing Legal Rights

- Most investors were highly critical of the current situation.

6.4 - Impact of Regulations on FDI

- Viewed as having a very negative impact on FDI performance.

6.5 - Decision Making Transparency

- Again, the picture is very negative. Almost 90% of investors are dissatisfied with the transparency of the decision making process within the administration.

6.6 - Corruption

- Investors are very dissatisfied on this issue. Poor or very poor progress was reported by 100% of respondents.

6.7 - KYR Clarity of Objectives

- Overall picture not encouraging. The majority of investors reported lack of clarity in relation to clarity of objectives.

6.8 - Number of Ministries Involved in Promoting FDI

- *The Majority of investors felt there were too many.*

7: Survey Suggestions to Improve Situation in Relation to FDI

- Re-organise institutions.
- Improve investment climate for FDI.
- Reform the tax system.
- Reform the regulatory system.
- Reform the bureaucratic system.
- Reform the legal system.
- Incentives and internal market.

7.1 - Institution Reform

Most investors were critical of this issue. The clarity of objectives was not clear to 60% of investors. However, a significant minority (40%) thought that performance under this heading was either 'Good' or 'Very Good'. A more critical view was taken of the number of Ministries involved in Promoting FDI where the majority felt there were too many. There is almost 100% support for the need to set up a single Investment Promotion Organization in the Kyrgyz Republic.

Almost 100% also suggest this should be a "One Stop Shop"•Most investors feel that there are too many organizations involved in investment Promotion at present. Most existing investors feel it should cover both FDI and local investment.

7.2 – 'One Stop Shop' Main Services Suggested

- Issue visas.
- Residents and labour permission.
- Licensing.
- Registration.
- Legislation.
- Provide basic information on as well as doing business in Kyrgyz Economy.

8: Improving the Investment Climate

The survey pointed to the following areas for priority attention and action by government of Kyrgyz Republic:

- Reform the tax system.
- Reform the regulatory system.
- Reform the bureaucratic system.
- Reform the legal system.
- Incentives and internal market.

The survey provided a list of specific suggestions under each of the above headings for consideration. In general, they are supportive of the agenda set out under the Matrix 111 agenda of the government. They can be briefly summarised:

8.1 - Reform the Tax System

Reform the legal basis of the tax system and create greater certainty on a wide range of tax matters.

8.2 - Reform the Regulatory System

Bring Kyrgyz Republic up to the level of best international standards in terms of regulation of business.

8.3 - Reform the Bureaucratic System

Eliminate corruption within the Kyrgyz administrative system.

8.4 - Reform the Legal System

Ensure that the legal system is fully supportive of the needs of FDI.

8.5 - Incentives and Internal Market

Improve incentive environment and develop markets both at home and abroad.

9: Survey Findings Implications for Government

The survey supports several government-planned initiatives included in the current Matrix 111. These are listed in detail in PowerPoint and in general terms below. The survey finds the following need to be considered by the government as a matter of urgency:

- The pace and speed of reform would appear to be inadequate.

- It is clear that there is urgent need to make progress on a number of critical issues.

- Issues such as corruption are an obvious example.

- Also, progress in relation to legal system and regulation.

- Institutional reform also urgently required.

- The survey demonstrates that it can become a tool, which measures progress in relation to the matrix itself.

- The views of investors can be systematically and objectively reported.

- An annual review of the same investors would provide benchmark against which progress can be assessed.

10: The Survey and Matrix 111

The results of the UNIDO survey strongly supports and validates the Matrix 111 components. It does so specifically in areas such as:

- Administration reform.
- Eliminating administrative barriers.
- Improving the legal environment.
- Regulatory reform.
- The elimination of corruption.
- One Stop Shop.
- It underlines the need for urgency in the pace of reform.
- Suggests implementation of reform may need to be strengthened.

11: The UNIDO Survey and Matrix 111

The following specific references link the Survey directly to Matrix 111

Matrix Reference - Investment Marketing Section 6	Specifically: 6.1, 6.2, 6.6, 7.2
Matrix Reference 1 - Elimination of Administrative Barriers	Specifically: 1.1, 1.2, 1.3, 1.6, 1.7
Matrix Reference 1 - Elimination of Administrative Barriers	Specifically: 1.1, 1.2, 1.3, 1.6, 1.7
Matrix Reference 6 - Investment Promotion and Information	Specifically: 6.1, 6.2, 6.3, 6.4, 6.5, 7.5
Matrix Reference 1 - Eliminating Administrative Barriers	Specifically: 1.1, 1.2, 1.3, 1.6
Matrix Reference 1 - Eliminating Administrative Barriers	Specifically: 1.2, 1.3
Matrix 4 - Fair and Predictable Legal Environment	Specifically: 4.3, 4.4
Reference to Matrix 1 - Elimination of Administrative Barriers	Specifically: 1.5, 1.6, 1.7
Matrix Reference 3 - Attractive Customs and Tax Environment	Specifically: 3.4, 3.5, 3.6, 3.7

KYRGISTAN / UNIDO Investor Survey

October – December 2002

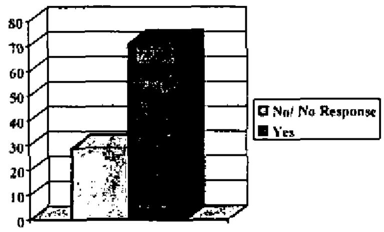
Presentation and Analysis of Results

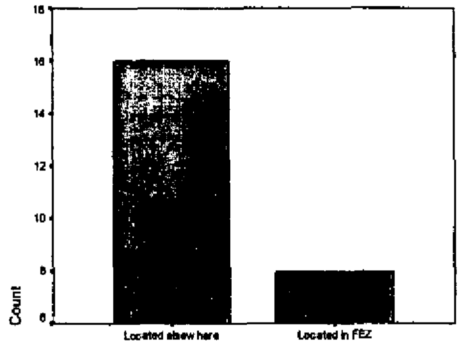
Jim Bourke
17 December 2002

List of Companies Surveyed

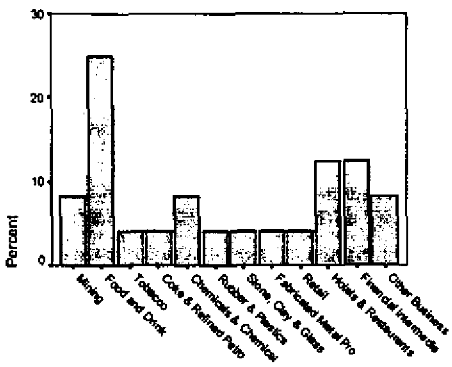
- C.A.T Corporation
- 2 Canadian Anonymous (FEZ)
- Central Asia Group Ltd
- Coca Cola Bishkek Bottlers
- Demir Kyrgyz International Bank (DKIB)
- JSC "ZUM Aichyrek"
- Kumtor Operating Company
- Kyrgyz Investment and Credit Bank
- Kyrgyz Petroleum Corporation Company (KPC)
- National Bank of Pakistan
- National Paints
- Norex Mining Company
- Pinara - Bishkek Ltd
- Reemtsma Kyrgyzstan JSC
- 1 Russian Anonymous (FEZ)
- Sa-sa International
- SIUT BULAK OSC
- Sulam Sahi
- The Celestial Mountain Guesthouse (NARYN)
- The Celestial Mountains Tour Company
- 2 Turkish Anonymous (FEZ)
- Vim-Bill Dairy

Percentage of Respondents with E-Mail

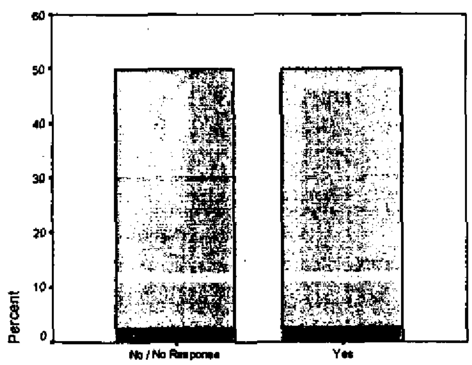




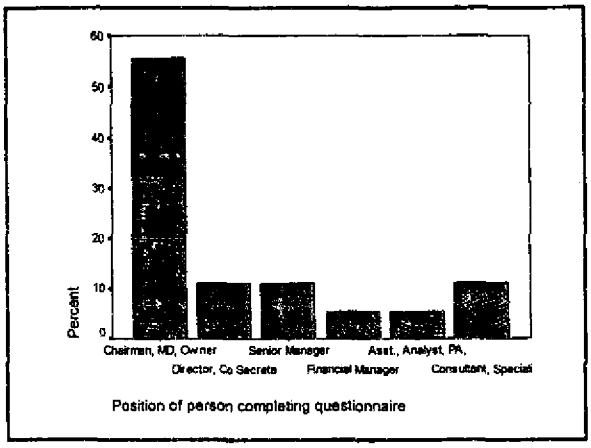
Number located in FEZ and Elsewhere



Business Sector Distribution

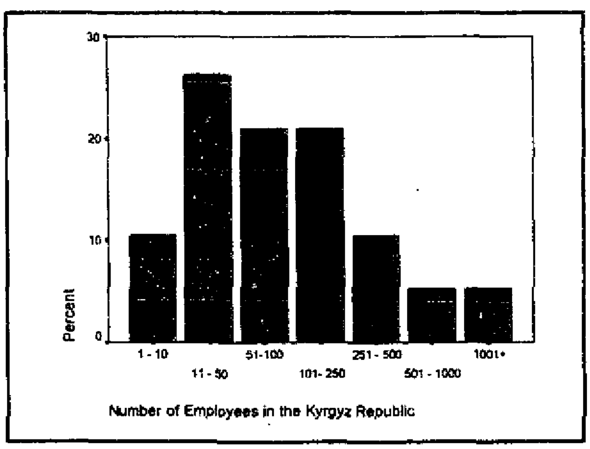


Percent giving permission for information release



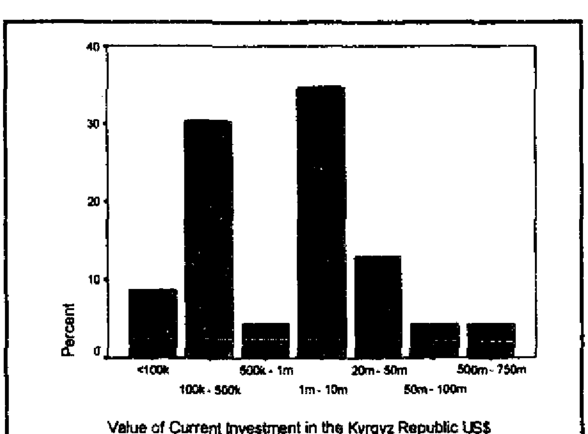
Survey Respondents

- Survey sought participation from all major FDI investors in Kyrgyz Republic.
- In all 24 FDI Companies participated.
- Drawn from wide range of sectors.
- Included FEZ and non FEZ Companies.
- Information provided by Top Management *within companies surveyed.*



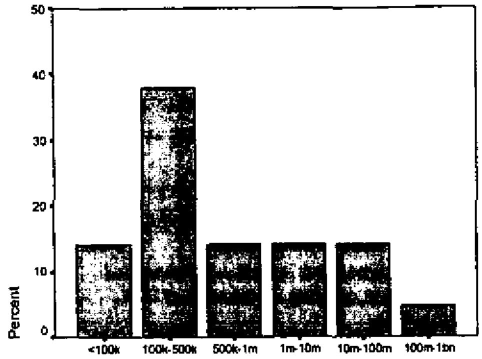
Number of Employees

- *65% of firms surveyed had less than 100* employees.
- Only one firm had more than 1,000 employees.
- Majority of firms surveyed were therefore in small to medium category.
- Firms were drawn from both the FEZ and outside.



Analysis of Investment by Size

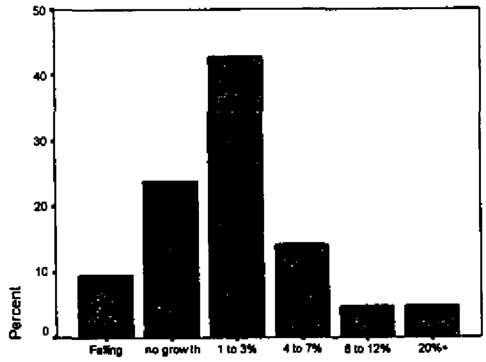
- Almost 50% of investments were less than $1m.
- However there are a small number of investors with more than $20 million.
- Overall picture is one of small to medium size investments.
- Coupled with a few substantial investments in excess of $100m.



Annual Sales in the Kyrgyz Republic US $

Annual Sales

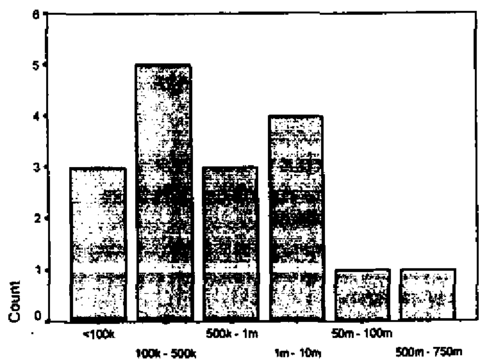
- Sales pattern reflected size .
- 65% of firms surveyed had sales of less than $1million.
- 35% sales exceeded $1million.
- Only few firms had sales exceeding $10 million.



Sales growth expected p.a. next 3 years Kyrgyz Republic

Sales Growth over next 3 years

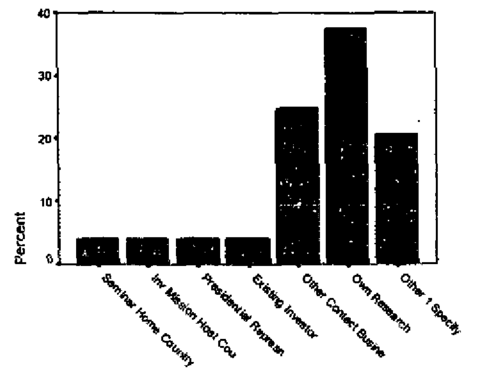
- 90% of firms saw less than 3% growth pa over the next three years.
- Only 1 in 10 firms saw annual growth in excess of 10%.
- Overall future outlook indicates slow growth over the next three years by the firms surveyed.
- The poor investment climate in KYR a partial explanation for this .



Level of new investment that could be considered next 3 years

New investment Planned

- 17 Firms have potential for total investment of $700m over the next three years
- 11under $1million .
- Six excess of $1million.
- Two firms in excess of $50 million.
- Seven firms however planned none.
- Overall indicators are that investment plans are highly positive in case of a least two firms with moderate investment planned for the reminder.
- Most FDI investment will come from top 8 companies surveyed.



How the company was made aware of investment opportunities

Awareness of Investment Opportunity

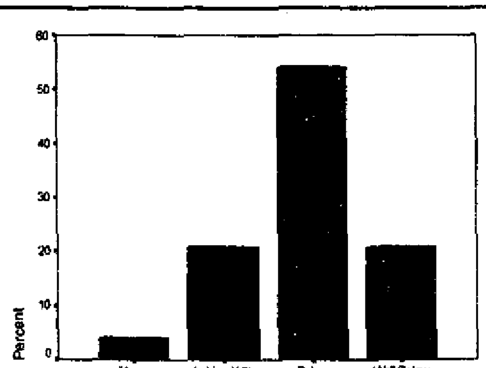
- Firms own research the strongest source of awareness.
- Other business contacts and existing investors the second most important factor.
- Combined these two factors responsible for 70%.
- Seminars and investor missions the third most important source of awareness.
- Work of Government Agencies of marginal significance in creating awareness of FDI opportunities.
- Indicates that present Promotion effort makes little contribution by itself.

REASONS for INVESTMENT in the Kyrgyz Republic

	Number	Percent Co.s
Local Market	3	12.5%
Regional Market	7	29.2%
Continental Market	1	4.2%
Labour Costs	7	29.2%
Material Costs	1	4.2%
Public Services	0	0.0%
Quality	5	20.8%
Labour availability	3	12.5%
Infrastructure Quality	1	4.2%
Services Costs	1	4.2%
Incentive Package	7	29.2%
Saw Opportunity	0	0.0%
Near M East Mkt	0	0.0%
Climate	0	0.0%
Economic Conditns	0	0.0%
Other	4	16.7%

Factors influencing Investor Motivation

- Local and Regional Markets the dominant reason for FDI in Kyrgyz Republic. .
- Incentive Package of FEZ main reason for a significant percentage of investor motivation.
- Labour Costs,Availability and Quality were also of importance.
- Natural Resources.?



Has the investment performed to expectations in the last 3 years?

Investor Performance and Expectations

- Overall picture is negative.
- 75% indicated below or well below performance.
- Only one investor reported performance exceeding expectations.
- This information suggests that the existing market and climate for investors in KYR is perceived as very negative.
- Some of the reasons given for this will be presented later.

What are the main reasons for the investment performance ?
Relative to Expectations (Percent)

	Well Above	Above	In Line With	Below	Well Below	Row Percent
Market Conditions			30.00	40.00	30.00	21.3%
Distribution Conditions			33.33	66.67		6.4%
Quality		33.33	66.67			6.4%
Regulatory			10.00	70.00	20.00	21.3%
Other market				50.00	50.00	4.3%
Costs of labour		16.67	33.33	33.33	16.67	12.8%
Costs of materials			50.00	25.00	25.00	8.5%
Costs of Services			66.67		33.33	6.4%
Costs other o/heads			50.00	33.33	16.67	12.8%
Column Percent	0.0%	4.3%	34.0%	40.4%	21.3%	100.0%

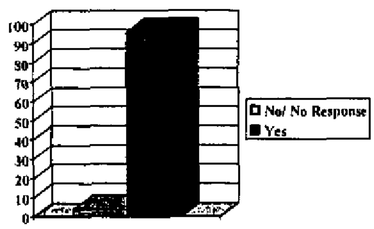
Kyrgyz Republic
What are the main reasons for the investment performance ?

	Well Above	Above	In Line With	Below	Well Below	Row Total	Row Percent
Market Conditions			3	4	3	10	21.3%
Distrib Conditions			1	2		3	6.4%
Quality		1	2			3	6.4%
Regulatory			1	7	2	10	21.3%
other market				1	1	2	4.3%
Costs of labour		1	2	2	1	6	12.8%
Costs of materials			2	1	1	4	8.5%
Costs of Services			2		1	3	6.4%
Costs other o/heads			3	2	1	6	12.8%
Column Total	0	2	16	19	10	47	100.0%
Column Total Percent	0.0%	4.3%	34.0%	40.4%	21.3%	100.0%	

Reasons for Investment Performance

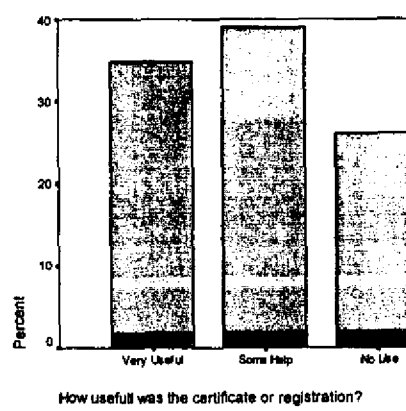
- Major Negative Influences included .
- Regulatory Factors 90%
- Market Conditions.70%
- Distribution Conditions.67%
- Labour Costs 50%
- Product Quality in the marketplace the most important factor for exceeding expectations.
-

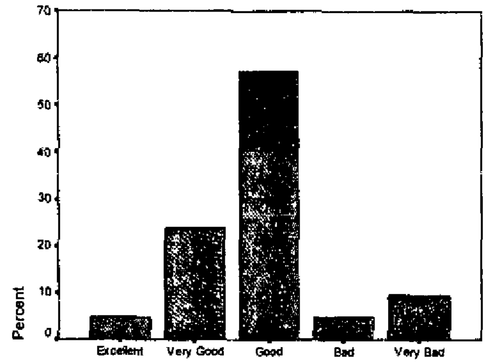
Percentage Respondents Certified / Registered



Name of Bodies Given as Providing Certification

- Commercial and Industrial Chamber
- Free Economic Zone Naryn
- General Management of Bishkek FEZ
- Justice Ministry
- National Bank of Kyrgyz Republic
- Ministry Ecology
- GOST Standard
- Ministry Trade and Ind
- Ministry of Finance
- Ministry of Tourism
- NBKR
- State Standards
- Trade Member

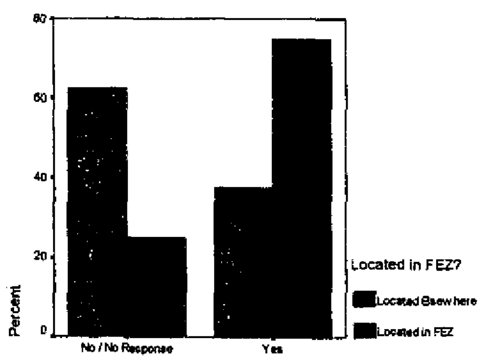




How efficient was the Certification Process ?

FDI Certification and benefits

- 75% Indicated that the certificate was either very useful or some help.
- 25 % claimed it was no use.
- Large majority therefore claimed that certificate or registration was a positive help.
- 90% claimed that the certification process was efficiently carried out.
- 10% claimed process was "very bad".

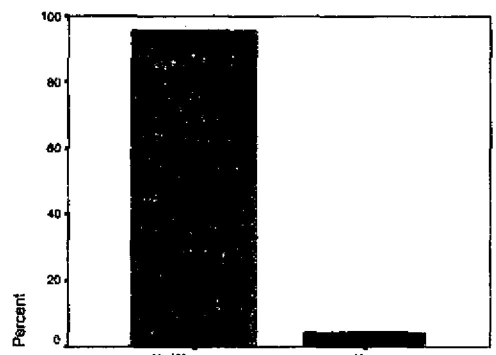


Apart from Registration has the Co. received assistance?

Name of Bodies Given as Providing Assistance

- City Administration
- FEZ Direction
- General Management of Bishkek FEZ
- Goscominvest
- Kyrgyzstan State Agency for Geology
- NBKR

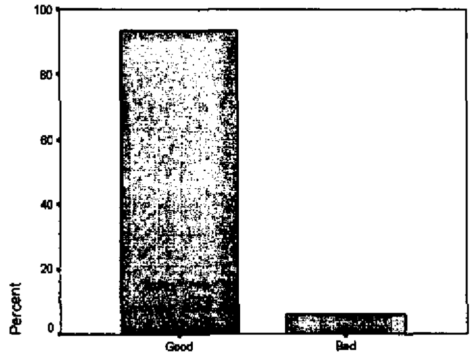
If Yes to Q17, was the assistance in the form of information?



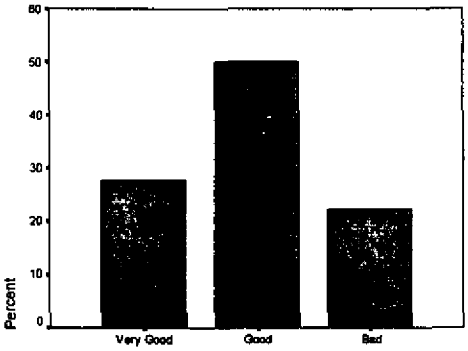
The proportion who said they received financial help

KYRGYZ REPUBLIC
Ranking of Services %

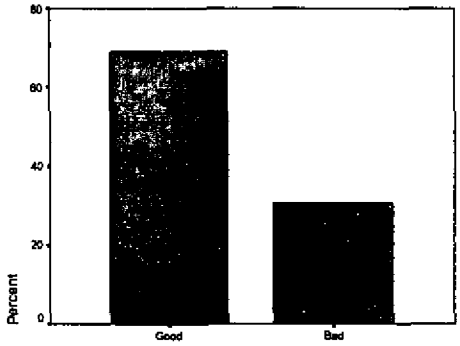
Information on:	Excellent	Very Good	Good	Bad	Very Bad	Total	Total
	Number Row %	Number Row %	Number Row %	Number Row %	Number Row %	Number	%
Economy			18 ([illegible])	1 (5.3%)		19	5.2%
Doing Business in Country		5 (27.8%)	9 (50.0%)	4 (22.2%)		18	5.9%
Professional Bodies			9 (69.2%)	4 (30.8%)		13	4.2%
Customers / Markets		2 (15.4%)	7 (53.8%)	4 (30.8%)		13	4.2%
Importing / Exporting		6 (37.5%)	6 (37.5%)	3 (18.8%)	1 (6.3%)	16	5.2%
Your Industry Sector		3 (17.6%)	11 (64.7%)	2 (11.8%)	1 (5.9%)	17	5.6%
Studies Specific to Business			9 (69.2%)	4 (30.8%)		13	4.2%
Suppliers			6 (42.9%)	7 (50.0%)	1 (7.1%)	14	4.6%
Office/Factory Purchase/Lease		2 (15.4%)	9 (69.2%)	2 (15.4%)		13	4.2%
Building Construction		5 (33.3%)	7 (46.7%)	3 (20.0%)		15	4.9%
Equipment Purchase / Lease		1 (7.7%)	9 (69.2%)	3 (23.1%)		13	4.2%
Joint Ventures			10 (76.9%)	2 (15.4%)	1 (7.7%)	13	4.2%
General Advice		8 (50.0%)	5 (31.3%)	3 (18.8%)		16	5.2%
Licence Cost Reduction		2 (18.2%)	5 (45.5%)	3 (27.3%)	1 (9.1%)	11	3.6%
Import Rebates	1 (8.3%)	5 (41.7%)	1 (8.3%)	3 (25.0%)	2 (16.7%)	12	3.9%
Duty Exemptions		5 (31.3%)	5 (31.3%)	2 (12.5%)	4 (25.0%)	16	5.2%
Building Purchase / Lease	1 (7.7%)	1 (7.7%)	8 (61.5%)	1 (7.7%)	2 (15.4%)	13	4.2%
Equipment Purchase / Lease		2 (20.0%)	5 (50.0%)	2 (20.0%)	1 (10.0%)	10	3.3%
Bank / other interest reduct.	1 (7.1%)		8 (57.1%)	2 (14.3%)	3 (21.4%)	14	4.6%
Taxation Reduction		6 (35.3%)	6 (35.3%)	2 (11.8%)	3 (17.6%)	17	5.6%
Employment Costs		8 (66.7%)	2 (16.7%)	1 (8.3%)	1 (8.3%)	12	3.9%
Marketing Costs		1 (9.1%)	8 (72.7%)	1 (9.1%)	1 (9.1%)	11	3.6%
Total	3	62	160	59	22	308	100.0%
	1.0%	20.3%	52.3%	19.3%	7.2%	100%	



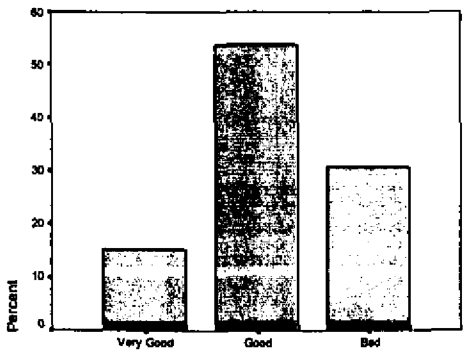
Quality of Information on the Kyrgyz Economy



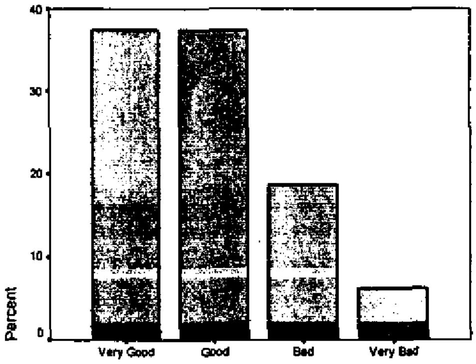
Quality of info on Doing Business in Kyrgyz Republic



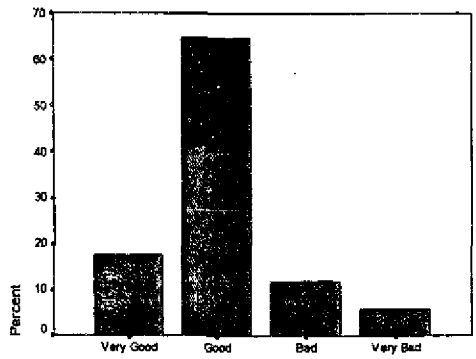
Quality of info. on Professional Bodies



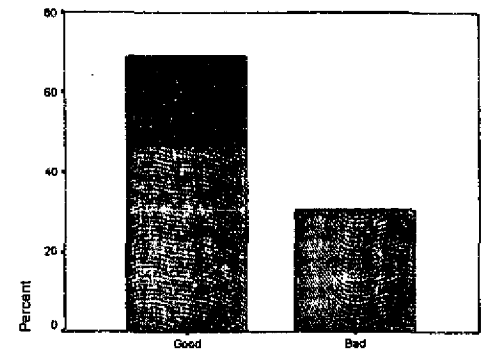
Quality of info. on Customers / Markets



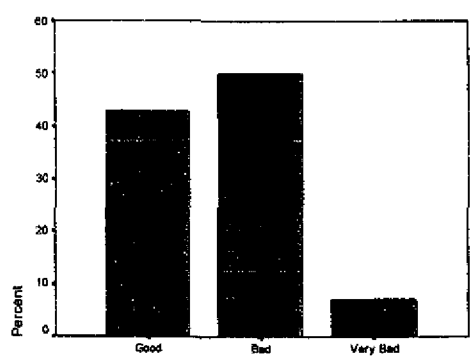
Quality of info. on Importing / Exporting



Quality of Info. on your Industry Sector

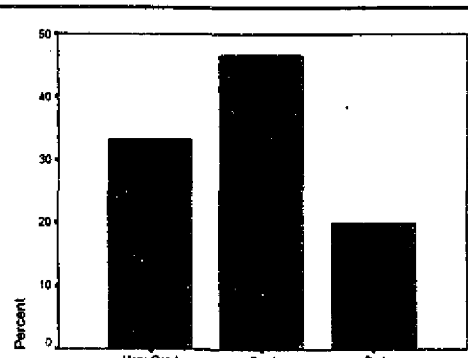


Quality of Info. on Studies Specific to Business

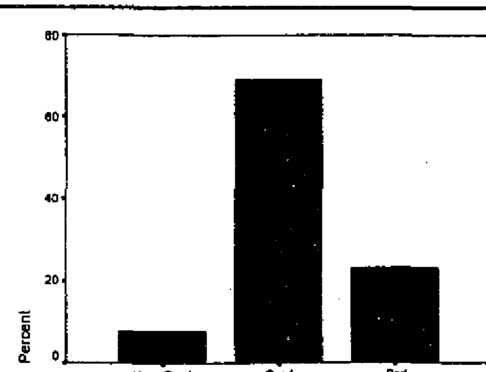


Quality of Info. on Suppliers

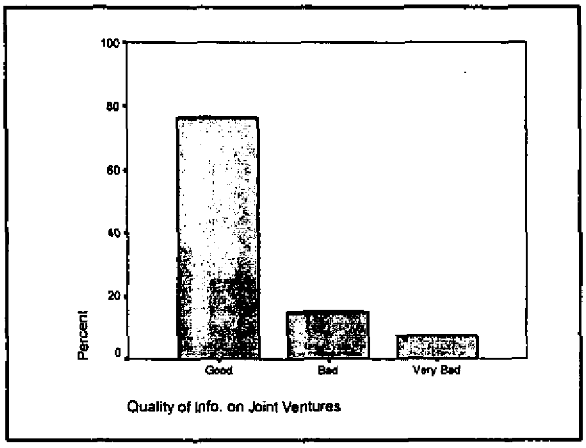
Quality of Info. on Office/Factory Purchase/Lease

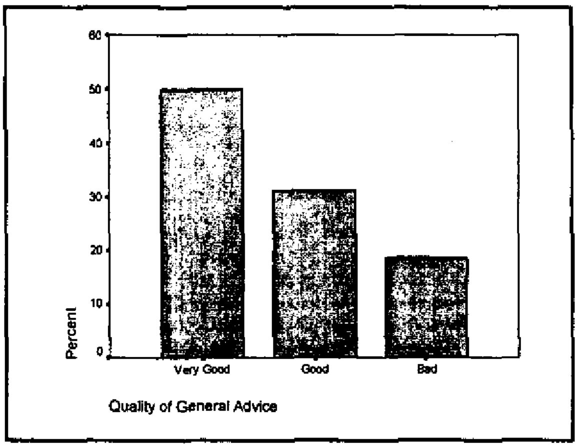


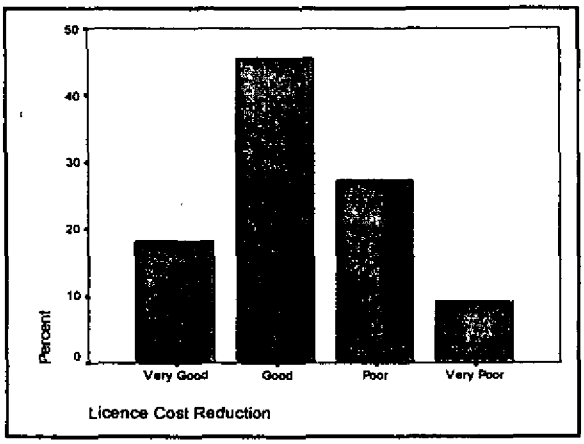
Quality of Info on Building Construction

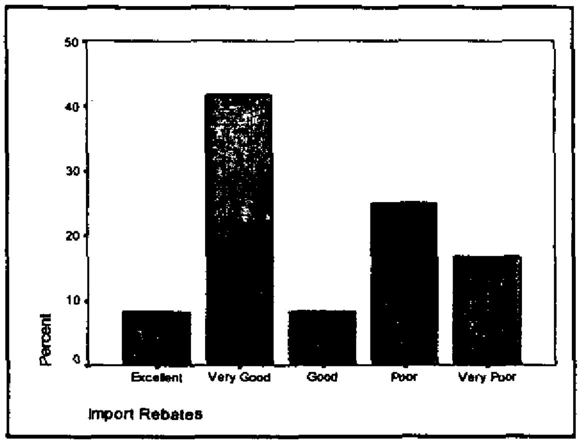


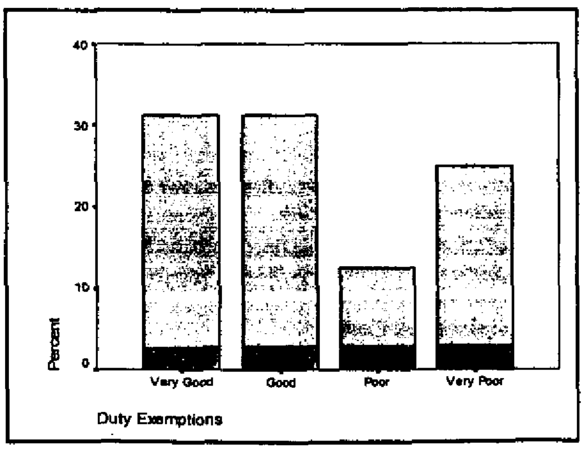
Quality of Info. on Equipment Purchase / Lease

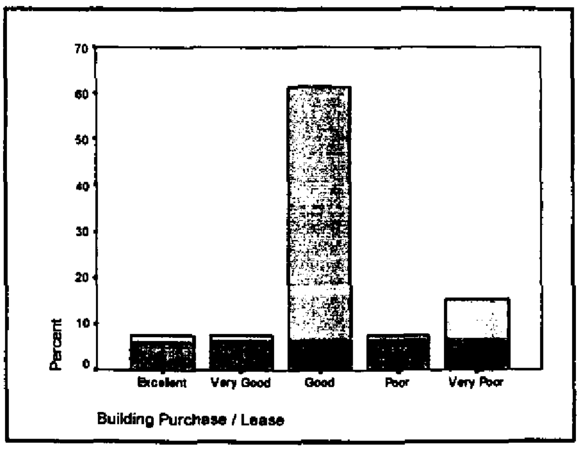

Percent
100
80
60
40
20
0
Good
Bad
Very Bad
Quality of Info. on Joint Ventures

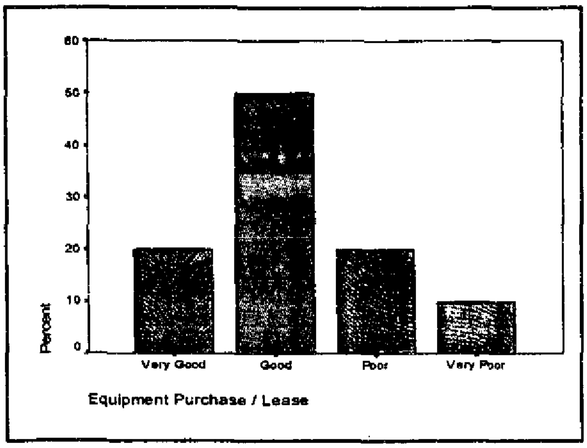

Percent
60
50
40
30
20
10
0
Very Good
Good
Bad
Quality of General Advice

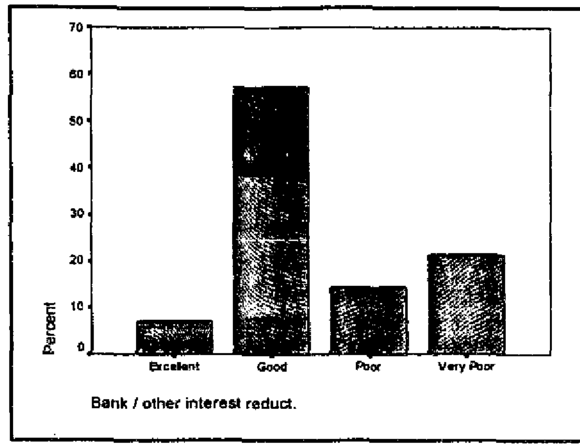

Percent
50
40
30
20
10
0
Very Good
Good
Poor
Very Poor
Licence Cost Reduction

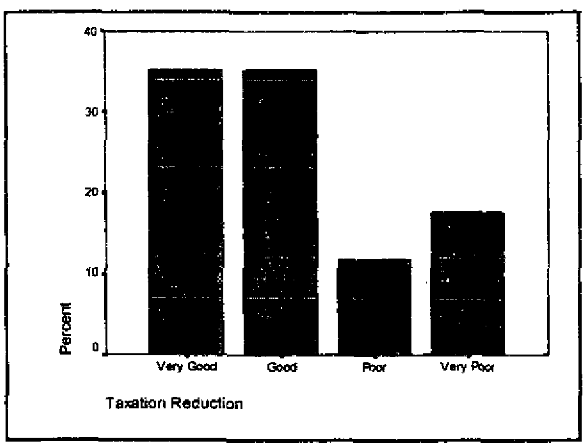

Percent
50
40
30
20
10
0
Excellent
Very Good
Good
Poor
Very Poor
Import Rebates

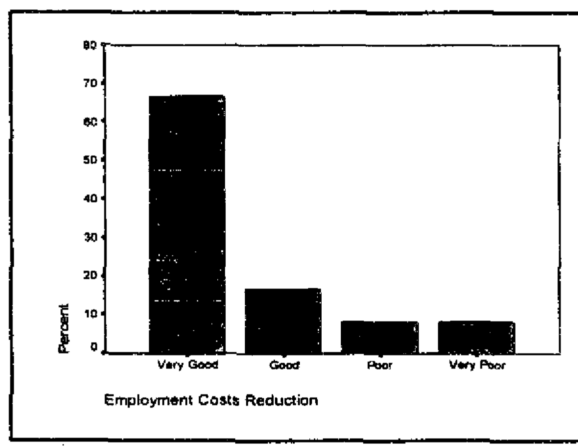

Percent
40
30
20
10
0
Very Good
Good
Poor
Very Poor
Duty Exemptions

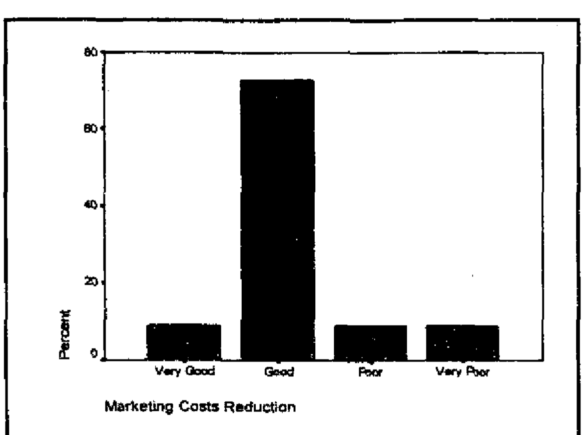

Percent
70
60
50
40
30
20
10
0
Excellent
Very Good
Good
Poor
Very Poor
Building Purchase / Lease





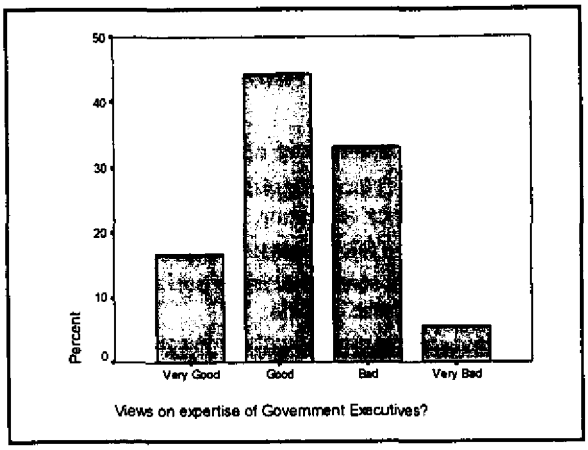




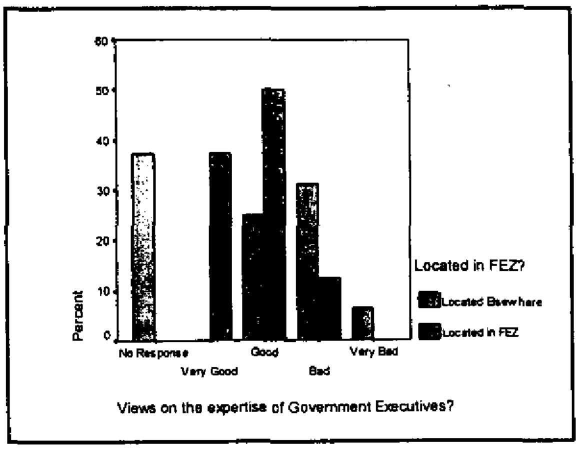


Ranking of Services by Investors

- Good or Very Good.
- Information Provision.e.g.Economic and Business Conditions.Sector Specific,J.V
- Taxation Reduction.e.g.Import Rebates,Taxation Reduction,Duty Exemptions, Interest Reductions, Licence cost reductions.
- Employment Costs.
- Building Purchase/Lease.



Views on expertise of Government Executives?



Views on the expertise of Government Executives?

Expertise of Officials

- Over 70% felt that at official level expertise was good or very good.
- No Investor reported excellent however.
- Expertise level much higher in EPZ than in the country in general.
- Most investors regarded expertise of EPZ Staff highly.
- Overall Survey indicated that the executives are regarded on a higher level than the organizations they represent.

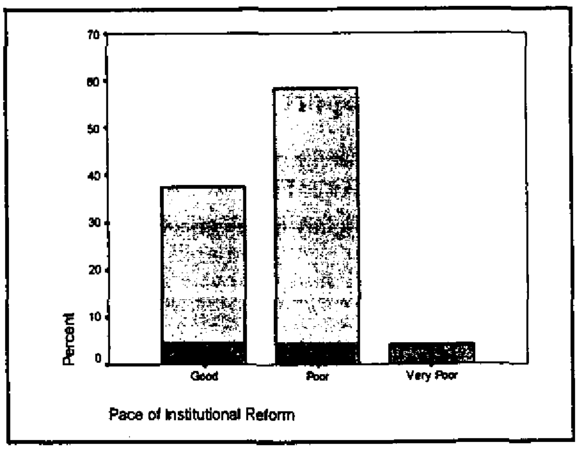
KYRGYZ REPUBLIC

Ranking of Situation for Investors (%)

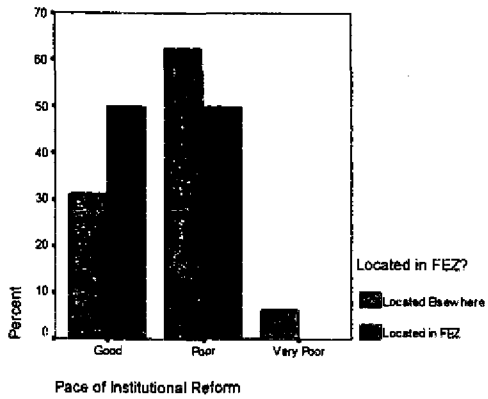
	Excellent		Very Good		Good		Bad		Very Bad		Total
	Number	Row %	Number	Row %	Number	Row %	Number	Row %	Number	Row %	Number
Pace of Institutional Reform					9	[illegible]	14	[illegible]	1	[illegible]	24
Quality of Legislation to Support Investment					4	[illegible]	15	[illegible]	3	[illegible]	22
Fairness and consistency in enforcement of legal rights					3	[illegible]	16	[illegible]	5	[illegible]	24
Clarity and consistency of regulations					6	[illegible]	14	[illegible]	4	[illegible]	24
Transparency of Decision Making					3	[illegible]	14	[illegible]	7	[illegible]	24
Progress on regulatory reform			1	[illegible]	10	[illegible]	10	[illegible]	2	[illegible]	23
Progress on eliminating Corruption							9	[illegible]	15	[illegible]	24
Kyrgyz Clarity of Objectives and Priorities			2	[illegible]	8	[illegible]	11	[illegible]	3	[illegible]	24
Bus Sector Clarity of Objectives and priorities	1	[illegible]	2	[illegible]	5	[illegible]	14	[illegible]	2	[illegible]	24
Column Total	1		5		48		117		42		213
Column Percentage	0.5%		2.3%		22.6%		54.9%		19.7%		100%

Investment Climate for Investors Main areas Reported

- Pace of Reform.
- Quality of Legislation to support FDI
- Fairness and Consistency in enforcing Legal Rights
- Regulations.
- *Decision making transparency*
- Corruption.
- KYR Clarity of Objectives.
- Number of Ministries involved in promoting FDI

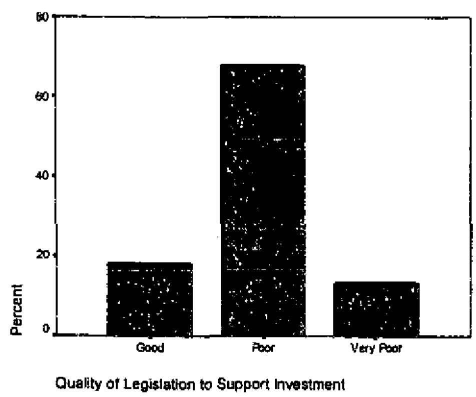


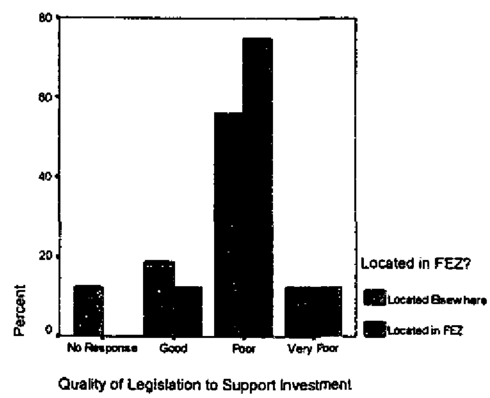
Pace of Institutional Reform



Pace of reform

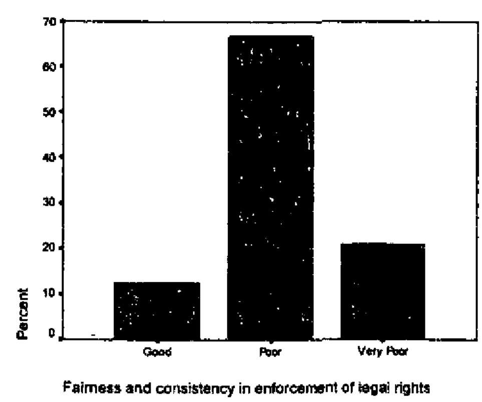
- In general investors were negative.
- Vast majority view progress towards reform as being poor or very poor.
- However 35% felt progress was good.
- FEZ Investors somewhat more positive on reform than those outside..
- No Investor reported excellent Progress on reform..

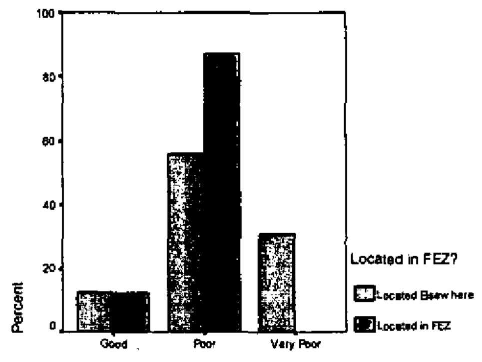




Quality of Legislation to support FDI

- Over 80% felt that the quality of legislation was not supportive of FDI.
- FEZ Investors slightly more critical on this issue.
- No one claimed it was better than good.

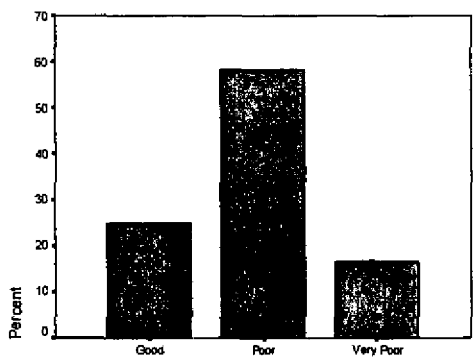




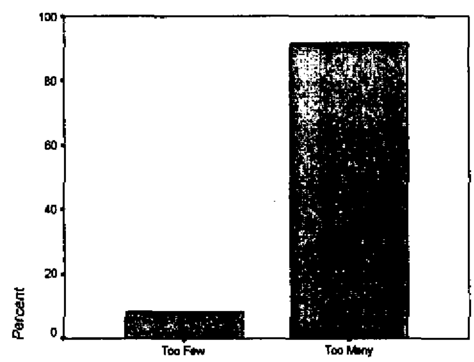
Fairness and consistency in enforcement of legal rights

Fairness and Consistency in enforcing Legal Rights

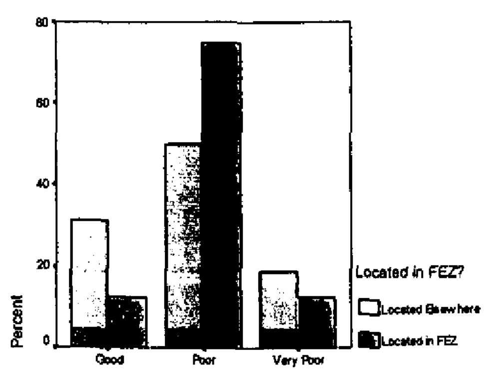
- FDI Community highly critical of the current situation.
- Overwhelming majority-around 90%- viewed this as poor or very poor.
- Few investors found it to be good.
- The legal framework is therefore an impediment to creating a favourable environment for investment.



Clarity and consistency of regulations



Number of Regulations that must be complied with



Clarity and consistency of regulations

Regulations

- Regulation regimen also viewed as being overwhelmingly negative.
- Over 90% felt that are too many regulations for business in Kyrgyz Republic.
- Almost 80% rated Clarity and consistency as poor or very poor.
- FEZ Investors were more critical.
- 90% of those commenting on impact of regulations on investment performance found them to be below or well below expectations. (slide 27)

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