



# Investment Climate in Kyrgyz Republic – Views of Foreign Investors

RESULTS OF THE SURVEY OF FOREIGN INVESTORS:  
OPERATING AND NON-OPERATING

IN PARTNERSHIP WITH:



Schweizerische Eidgenossenschaft  
Confédération suisse  
Confederazione Svizzera  
Confederaziun svizra

Swiss Confederation

Federal Department of Economic Affairs FDEA  
State Secretariat for Economic Affairs SECO



**WORLD BANK GROUP**

**IFC** | International  
Finance Corporation

This work is a product of the staff of the World Bank Group with external contributions.

The information included in this work, while based on sources that the World Bank Group considers to be reliable, is not guaranteed as to accuracy and does not purport to be complete. The World Bank Group accepts no responsibility for any consequences of the use of such data. The information in this work is not intended to serve as legal advice. The findings and views published are those of the authors and should not be attributed to IFC, the World Bank, the Multilateral Investment Guarantee Agency (MIGA), or any other affiliated organizations. Nor do any of the conclusions represent official policy of the World Bank or of its Executive Directors or the countries they represent.

The denominations and geographic names in this publication are used solely for the convenience of the reader and do not imply the expression of any opinion whatsoever on the part of IFC, the World Bank, MIGA or other affiliates concerning the legal status of any country, territory, city, area, or its authorities, or concerning the delimitation of its boundaries or national affiliation.

This report can be obtained in print or electronic format at the following address:

Investment Climate Project in the Kyrgyz Republic  
Orion Business Center, 4th floor, Erkindik boulevard, 21,  
Bishkek, 720040, Kyrgyz Republic  
Tel.: +(996 312) 62 61 62  
[www.ifc.org/beekg](http://www.ifc.org/beekg)

### Rights and Permissions

The material in this work is subject to copyright. Because the World Bank Group encourages dissemination of its knowledge, this work may be reproduced, in whole or in part, for noncommercial purposes as long as full attribution of this work is given.

Any queries on rights and licenses, including subsidiary rights, should be addressed to the Office of the Publisher, the World Bank, 1818 H Street NW, Washington, DC 20433, USA; telephone: 202-522-2422; email: [pubrights@worldbank.org](mailto:pubrights@worldbank.org)

### About Trade and Competitiveness Global Practice of the World Bank Group

Trade and Competitiveness Global Practice of the World Bank Group helps governments implement reforms to improve their business environments and encourage and retain investment, thus fostering competitive markets, growth, and job creation.

# Investment Climate in Kyrgyz Republic – Views of Foreign Investors

RESULTS OF THE SURVEY OF FOREIGN INVESTORS:  
OPERATING AND NON-OPERATING

## ABOUT INVESTMENT CLIMATE ADVISORY SERVICES PROJECT IN THE KYRGYZ REPUBLIC

The Investment Climate project in the Kyrgyz Republic, implemented by IFC in partnership with the governments of the United Kingdom and Switzerland, is part of the World Bank Group's Trade and Competitiveness Global Practice. The project started in 2013.

The Project goal is to help the Government of the Kyrgyz Republic improve the business environment to attract investments and create jobs.

### SPECIFIC ACTIVITIES INCLUDE:

- advice on implementing inspection reform focusing on the use of a risk-based inspections planning;
- assistance in implementing regulations governing investment policy;
- advice on introducing an efficient food safety system and harmonizing agribusiness-related legislation with the WTO standards to enhance the export capacity of the Kyrgyz agricultural products.

# TABLE OF CONTENTS

HOW TO READ THIS REPORT	6
SETTING THE CONTEXT – INVESTMENT CLIMATE IN THE KYRGYZ REPUBLIC	7
EXECUTIVE SUMMARY	11
KEY RESULTS OF THE SURVEY	12
FACTORS INFLUENCING INVESTMENT DECISIONS	12
MARKET ENTRY	13
INVESTOR PROTECTION AND CONFIDENCE – RUNNING A BUSINESS IN THE KYRGYZ REPUBLIC	15
INVESTMENT INCENTIVES	17
MARKET EXIT	18
RECOMMENDATIONS	20
CHAPTER 1 – FACTORS INFLUENCING INVESTMENT DECISIONS	22
CHAPTER 2 – MARKET ENTRY – REGISTERING A COMPANY	26
CHAPTER 3 – INVESTOR PROTECTION AND CONFIDENCE	31
CHAPTER 4 – INVESTMENT INCENTIVES	42
CHAPTER 5 – MARKET EXIT	45
OPERATING INVESTORS	47
NON-OPERATING COMPANIES	49
CHAPTER 6 – DEMOGRAPHICS OF THE INVESTORS PARTICIPATING IN THE SURVEY	53
OPERATING COMPANIES	53
NON-OPERATING COMPANIES	57
ANNEX 1: SURVEY METHODOLOGY	61
ANNEX 2: COMPANIES' PROFILES	65
ANNEX 3: FACTORS FOR INVESTING IN THE KYRGYZ REPUBLIC	68
ANNEX 4. FACTORS IMPEDING A DECISION TO INVEST	82

# HOW TO READ THIS REPORT

The World Bank Group's Investment Climate Project conducted a survey of foreign investors in the Kyrgyz Republic – both those currently operating and those that have terminated their operations for various reasons. The purpose of the survey was to assess selected aspects of the investment policy and legal environment in place in the Kyrgyz Republic, so as to determine whether the current regulations are investment-conducive or otherwise. As part of the survey, the team aimed to identify the drivers of and the barriers to investment decisions in the country. The ultimate goal was to identify the 'pain points' of the existing legal environment governing investment policy, to propose appropriate changes, to improve the situation and to make the Kyrgyz Republic an investor-friendly destination.

The following aspects were studied as part of this survey: reasons for selecting a country for investing, ease of market entry, investor confidence and protection in running a business, investor incentives and market exit.

The field work of the survey was carried out from February 11 till August 21, 2014. Taking part in the survey were some 201 operating companies and 103 non-operating companies with foreign investments (liquidated companies, companies that had suspended activities, operating companies suffering from outflow of foreign investments). The largest number of participating companies are small businesses; their share in the survey was 83.9%. The share of medium-sized businesses in the survey was 10.4% and of large business, 5.7%.

This report presents the analysis of the results of the survey. It consists of six sections, five of which discuss the results of each of the assessed aspects of the investment policy. The sixth section presents some demographics of the survey.

The section on "Factors for investment in the Kyrgyz Republic" describes the factors influencing the decision to invest in a particular country, in this case the Kyrgyz Republic. Both operating and non-operating companies listed key factors influencing their decision to choose the Kyrgyz Republic as their investment destination.

The section on "Market entry/Opening a company" gives an overview of market entry processes, costs associated with entering the market of the Kyrgyz Republic and impressions from interacting with the Kyrgyz state authorities during the process of opening a company.

The section on "Protection and confidence" discusses the main problems investors came across when running their business in the Kyrgyz Republic and how those problems were solved, if at all.

The section on "Incentives" summarizes and analyzes the information collected regarding the existing investment incentives in the Kyrgyz Republic as well as the investors' views and perceptions on the need to have specific preferential benefits to stimulate investment inflows.

The section on "Market exit" discusses the survey findings on the procedure of closing a business in the Kyrgyz Republic: how difficult it is to close a business, costs associated with closing and the overall impression of investors of the market exit procedure.

The section on "Participants of the survey" presents some key demographics of the survey: the number and types of participating companies, their origin, sectors and the like. The report also presents a set of policy recommendations aimed at removing the identified bottlenecks and challenges, to ease the investment environment in the Kyrgyz Republic. The recommendations are based on good international practice and take into account the local policy, and legal and operational environments.

# SETTING THE CONTEXT – INVESTMENT CLIMATE IN THE KYRGYZ REPUBLIC

## ECONOMIC OUTLOOK

Since 2010 the government of the Kyrgyz Republic has been undertaking a number of significant steps towards macro-economic stabilization, and the improvement of the investment climate and business environment. Yet despite these steps, the economy of the country remains vulnerable to external shocks and finds it hard to attract foreign investments, where there are economic and political risks and a weak, often nontransparent business environment.

From January to September 2014 economic growth slowed to 3%, compared with 8.9% for the same period during the previous year. This slowdown was caused by the moderate growth of consumption, reduced budget revenues due to a slowdown in economic activity and a decrease in trade operations with neighboring countries, that brought to nothing the increase of investments and export of gold. Gold production at the Kumtor deposit increased by 15.2% compared with the nine months of the previous year, as the enterprise restored its normal operations following the disruptions that took place in 2012.

The growth in the economy without gold production amounted to 2.7%, which is lower than the indicators for the same period of the previous year (5.6%), because of the decrease in remittances, an insignificant increase in wages, and difficulties in trade relations with neighbors. Despite some decrease during the last months, the investments in general have been sustainable due to high domestic demand in for residential housing construction and the active capital expenses of the state budget.

Due to the slowdown in consumption growth, the economy growth stimulated investments. During the first seven months of 2014, residential housing construction increased by 10.9%, continuing a rapid growth trend that had started in 2012. The construction boom of recent years may be explained by a combination of factors of supply (increase in areas for construction; arrival of new investors, including foreign investors) and demand (unsatisfied demand and more active economic growth).



## FOREIGN INVESTMENTS

The volume of foreign investments inflow (without outflows) from January to September 2014 increased by 15.7%, compared with the same period for the previous years, amounting to USD 3,735.8 mln. The inflow exceeded the outflow by USD 534.6 mln.

TABLE 1.1: FOREIGN INVESTMENTS INFLOW\*, JANUARY-SEPTEMBER 2014

	In mln. USD		In %	
	2013	2014	2013	2014
<b>Total</b>	<b>3,228.2</b>	<b>3,735.8</b>	<b>100</b>	<b>100</b>
Foreign direct investments	685.8	443.3	21.3	11.8
Portfolio investments	0.0	0.0	0.0	0.0
Other investments	2,515.5	3,271.2	77.9	87.6
Grants; technical assistance	26.9	21.3	0.8	0.6
*excluding outflow				

SOURCE: National Statistics Committee of the Kyrgyz Republic, Review of Social and Economic Development of the Kyrgyz Republic, January – November, 2014.

Foreign direct investments inflow for January – September 2014 decreased by 35.4% compared with the same period in 2013. The inflow indicator exceeded the level of outflow by USD 122.4 mln. for the nine months of 2014.

A decrease in all components of the foreign direct investments structure, except for financial lease, is noted comparing with the nine months of the previous year. Similar to January-September 2013, the main bulk of foreign direct investments (88%) went to mining works, processing enterprises and financial intermediation and insurance. The volume of investments made in mining works decreased by 37.9%, processing enterprises by 37.4% and financial mediation and insurance area by 12.6%.

TABLE 1.2: STRUCTURE OF FOREIGN INVESTMENTS INFLOWS\*\*, JANUARY-SEPTEMBER 2014

	In mln. USD		In %	
	2013	2014	2013	2014
<b>Total</b>	<b>685.8</b>	<b>443.3</b>	<b>100</b>	<b>100</b>
Equity capital	34.9	9.5	5.1	2.2
Financial lease	-	0.5	-	0.1
Re-invested profit	177.5	123.8	25.9	27.9
Other capital, including	473.4	309.5	69	69.8
Loans from foreign co-owners of enterprises	431.4	286.2	62.9	64.6
Commodity loans	42	23.3	6.1	5.2
**excluding outflow				

SOURCE: National Statistics Committee of the Kyrgyz Republic, Review of Social and Economic Development of the Kyrgyz Republic, January – November, 2014.

From January to September 2014, the inflows of foreign direct investments from non-CIS countries decreased 1.5 times compared with the same period of 2013. In particular, investments from China and Canada decreased substantially, 2.3 and 1.8 times, respectively.



TABLE 1.3: FOREIGN INVESTMENTS INFLOWS\*\*\*, JANUARY-SEPTEMBER 2014; BREAKDOWN BY COUNTRIES

	In mln. USD		In %	
	2013	2014	2013	2014
<b>Total</b>	<b>685.8</b>	<b>443.3</b>	<b>100</b>	<b>100</b>
<b>From non-CIS countries</b>	<b>596.0</b>	<b>389.8</b>	<b>86.9</b>	<b>87.9</b>
Australia	6.2	34.0	0.9	7.7
Germany	5.8	6.2	0.8	1.4
Canada	151.8	82.9	22.1	18.7
Cyprus	26.5	30.4	3.9	6.9
China	253.6	107.9	37.0	24.3
Latvia	6.2	6.9	0.9	1.6
Luxembourg	4.8	3.9	0.7	0.9
The Netherlands	8.8	6.8	1.3	1.5
United Arab Emirates	13.3	5.1	1.9	1.1
Pakistan	5.6	7.8	0.8	1.8
Republic of Korea	8.9	5.6	1.3	1.3
United Kingdom	53.5	40.2	7.8	9.1
United States	8.1	3.9	1.2	0.9
Turkey	12.2	21.0	1.8	4.7
France	13.8	0.0	2.0	0.0
Switzerland	3.1	5.4	0.5	1.2
Other countries	8.6	10.4	1.2	2.2
<b>From CIS countries</b>	<b>89.8</b>	<b>53.5</b>	<b>13.1</b>	<b>12.1</b>
Kazakhstan	36.9	38.5	5.4	8.7
Russia	52.6	14.9	7.7	3.4
***excluding outflow				

The major investing countries were China, Canada and Great Britain. Chinese investments were mainly in the mining area (69% of investments received) and processing enterprises (23%, of which 81.8% went to oil production and 11.7% to other non-metal mineral resources). UK investments were made in mining (99.6%) and Canadian investments were made in processing (96.2%).

Foreign direct investment inflows from the CIS countries decreased 1.7 times compared with January – September 2013. Russian investments decreased 3.5 times, whereas investments from Kazakhstan increased by 4.4%. The main bulk of Kazakh investments were made in the area of financial intermediation and insurance (48.0%), wholesale and retail trade (22.7%) and processing (17.4%, of which 99.1% went into other non-metal mineral resources production). Russian investments were made in power, gas, steam and conditioned air supply companies (38.6%), processing companies (27.7%, of which 86.5% went into food production including beverages and tobacco products), retail and wholesale trade (21.6%).

SOURCE: National Statistics Committee of the Kyrgyz Republic, Review of Social and Economic Development of the Kyrgyz Republic, January – November, 2014.

# Kyrgyz competitiveness and conditions for doing business

Due to the complex external economic outlook and poor reduction in investment inflows in the medium term, maintaining progress in implementing structural reforms that enhance competitiveness is crucial for sustaining growth. According to the World Economic Forum's Global Competitiveness Report of 2014-2015, the Kyrgyz Republic ranks 108th out of the 144 participating countries – an improvement from the 127th place in 2012-2013.\* The common pain points hindering Kyrgyz competitiveness are the poor level of innovation (132) and business sophistication (119). Institutions (124 th) and infrastructure (115 th) are also among the factors that continue to undermine Kyrgyz's competitive advantage due to irregular payments and bribes, inefficient intellectual property protection systems, favoritism in decision making, low transparency in governance policy making and the low efficiency of the legal framework in dispute resolutions, to name a few. Strength of investor protection is, on the other hand, ranked favorably at 22nd place. The marginal improvement of the country's place in the competitiveness index tells us about some right steps undertaken by the government in improving the situation. That said, these steps are either fragmented or ad hoc or take too much time to implement to be able to compete with peer economies throughout the world. Corruption levels remain high: according to the Transparency International Corruption Perception Index, the Kyrgyz Republic is considered a corrupt country with only Russia, Ukraine, Tajikistan, Uzbekistan and Turkmenistan having higher levels of corruption in the European and Central Asian region.\*\*

Over years the Kyrgyz Republic has improved the conditions for starting a business, getting access to credit and protecting minority investors. These reforms have reflected positively on the country's standing in the World Bank Group's Doing Business ranking in 2015.

While the overall rank is still high – 102nd out of 189 economies – the Kyrgyz Republic ranks 9th in the starting a business category, 36th in getting credit and 35th in protecting minority investors. Trading across borders and paying taxes still remain critical constraints for doing business in the country. \*\*\*

The view of businesses coincides with the problems cited by international rankings. Besides the burdensome taxation issues (including VAT refund, abolishment of sales tax, extension of tax base and lower social insurance deductions), businesses also request a more meaningful dialogue with state authorities, more clarity and transparency in rulemaking and enforcement, transparent and fair judicial processes, along with simplified procedures for issuing permits to reduce costs of complying with tax laws and ensuring incentives for legalization.

The government has been implementing reforms to improve business conditions, as reflected in several international rankings. However, the slight improvements demonstrated by the Competitiveness Index and Doing Business have not been enough to attract much-needed investments to the country. Foreign investments even from the neighboring CIS countries continue to slide down.

The economy of the Kyrgyz Republic depends to a large extent on external economic factors and is vulnerable to internal distress caused by social factors. To ensure sustainable economic growth, the government needs to implement a consistent program of structural reforms that will further simplify the conditions for doing business, and make the environment transparent and predictable. A clear and transparent environment that ensures a level playing field for all will encourage companies to legalize their activities and will help the Kyrgyz Republic to attract foreign investment to fuel the vulnerable economy and positively influence its growth.

---

\* [http://www3.weforum.org/docs/WEF\\_GlobalCompetitivenessReport\\_2014-15.pdf](http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2014-15.pdf)

\*\* <http://www.transparency.org/research/cpi>

\*\*\* [http://www.doingbusiness.org/reports/global-reports/~/\\_media/giawb/doing%20business/documents/profiles/country/KGZ.pdf](http://www.doingbusiness.org/reports/global-reports/~/_media/giawb/doing%20business/documents/profiles/country/KGZ.pdf)

## EXECUTIVE SUMMARY

### Aspects of investment environment studied as part of this survey

The survey of both current and past investors looked at the following five aspects influencing investment environment in the Kyrgyz Republic:

#### a) Factors influencing an investment decision

This aspect covers factors that help potential investors make a decision about what country to choose as their investment destination. It is against these core criteria that potential investors assess and benchmark those countries that will most likely bring the expected returns and be in line with investors' business growth and expansion strategy.

#### b) Market entry – investors' experience in registering a company

This aspect covers the process of registering a company that investors went through in the Kyrgyz Republic after they had made a decision to invest. This includes access to information, specific procedures an investor has to follow, their ease or otherwise, and the cost of market entry.

#### c) Investor protection and confidence

This aspect covers factors influencing the business operations of investors in the Kyrgyz Republic. These range from the legal environment that governs running a business and protection of investor rights to transparency in dealing with investor complaints and grievances to interaction with state authorities to resolving disputes. These are the areas that either increase investor confidence and stimulate repeat investment inflows or increase investor's vulnerability and lead to a decrease in or loss of investments.

#### d) Investment Incentives

This aspect covers specific preferential benefits (financial and non-financial) that the Kyrgyz government offers to investors and how investors perceive them.

#### e) Market exit

This aspect covers the process of closing a business. This includes access, clarity and transparency of the information regarding the business closure, the ease or otherwise of the process, and the cost of closing a business in the Kyrgyz Republic.

# Key results of the survey

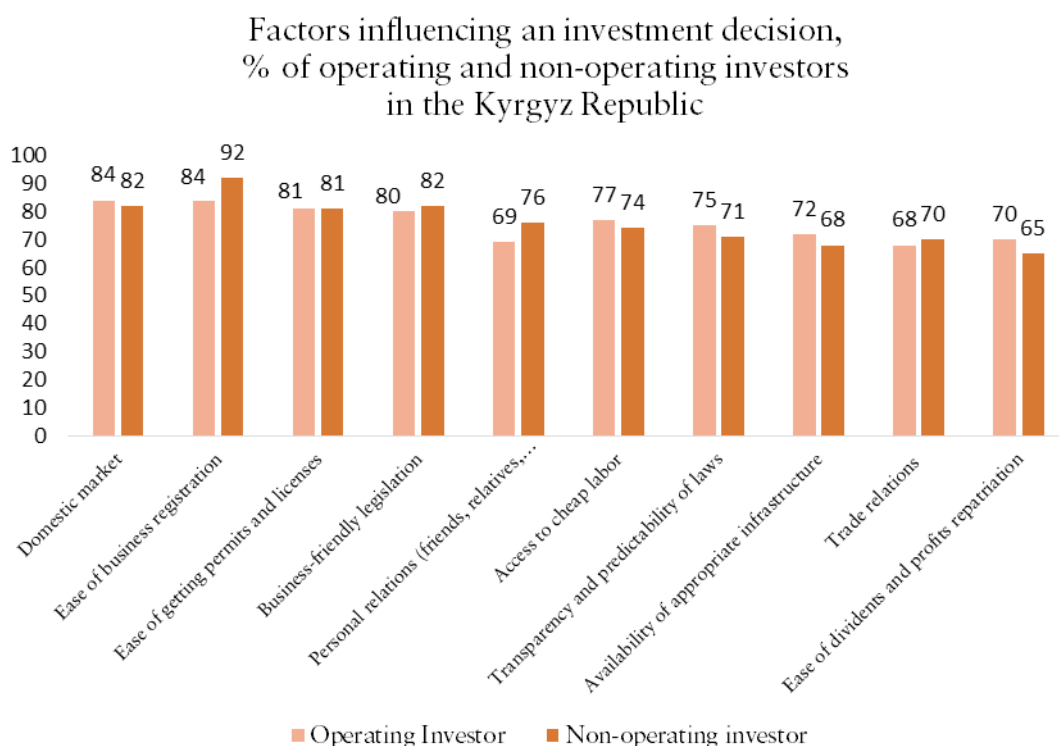
## Factors influencing investment decisions

There is a set of general factors considered by potential investors when making a decision on what country to choose for their investment. These typically concern some macroeconomic indicators, general security and financial stability and viability of the market, legal environment, taxation requirements, and access to markets. The survey results of the factors influencing investment decisions of current and past investors in the Kyrgyz economy have not revealed any deviations from what has been a general practice. Not surprising also was the fact that both operating and non-operating investors have identified similar aspects which they consider when looking at where to put their money (Figure 1).

The top five determining factors for both current and past investors are the importance of investing in a domestic market, the ease of company registration procedures, the ease of obtaining necessary permits and licensing to operate a business, business-friendly legislation conducive to business development and access to cheap labor.

A transparent and predictable legal environment remains a critical condition for investments, thus the need to continue to simplify and streamline the regulations, specifically in the area of permit and licensing.

FIGURE 1: OPERATING AND NON-OPERATING INVESTORS CONSIDER SIMILAR FACTORS WHEN MAKING INVESTMENT DECISIONS



Source: Here and throughout the report the source of data on figures and in the text is the survey of operating and non-operating investors in the Kyrgyz Republic, commissioned by the World Bank Group, unless other sources are indicated.

An interesting finding worth looking at in greater detail is the emphasis both entities put on personal relations, i.e. the availability of friends or relatives or diaspora when choosing an investment destination. It could be one of the potential investors' strategies to lessen the impact or mitigate the risk of 'unknowns' in a new market. Potential investors perceive that it will be less risky to set up at business in an environment where they have people they can turn to for trustworthy information about the reality of running a business. It improves investors' knowledge and information about the market and can potentially reduce some of the cost of getting business intelligence. It could also mean that investors are aware of potential bottlenecks and bureaucracy in operating a business in the Kyrgyz Republic, so having important connections on the ground might help investors avoid some hurdles and speed up some processes.

Another finding worthy of mention is that the majority of investors do not require special incentives for investments. This, however, concerns only non-tax related incentives, with just over 30% of current and past investors indicating it is an important factor for investment decisions. It shows that investors are prepared to work without any preferential benefits as long as the legal and operating environment is clear, predictable and transparent. The tax- and customs-related incentives are important for 62% and 53% of operating and non-operating investors respectively. This points to the burdensome nature of tax and customs regulations in the country and to the need to simplify them and/or consider offering incentives in this area.

## Market entry

Despite considerable improvements to the legislation governing business registration, and permit and licensing procedures, entering the Kyrgyz market has still imposed certain burdens on foreign investors. This in particular concerns the length of time it takes to register a company, and access to information about the requirements.

## Access to information

There remain some issues concerning access to information about the requirements for registering a company in the Kyrgyz Republic. While 50% of investors have not encountered any difficulty in the matter, 40% consider access to clear and accurate information as just satisfactory, with 11% of investors encountering difficulties in obtaining necessary information. Not surprisingly, the majority of investors who encountered difficulties accessing information come from OECD and other countries. The CIS investors, sharing the same language, traditions and legal backgrounds that date back to the Soviet era, have not faced difficulties in accessing information. That said, 44% of them consider the access to information about the requirements to register a company in the Kyrgyz Republic as 'satisfactory' (Figure 2).

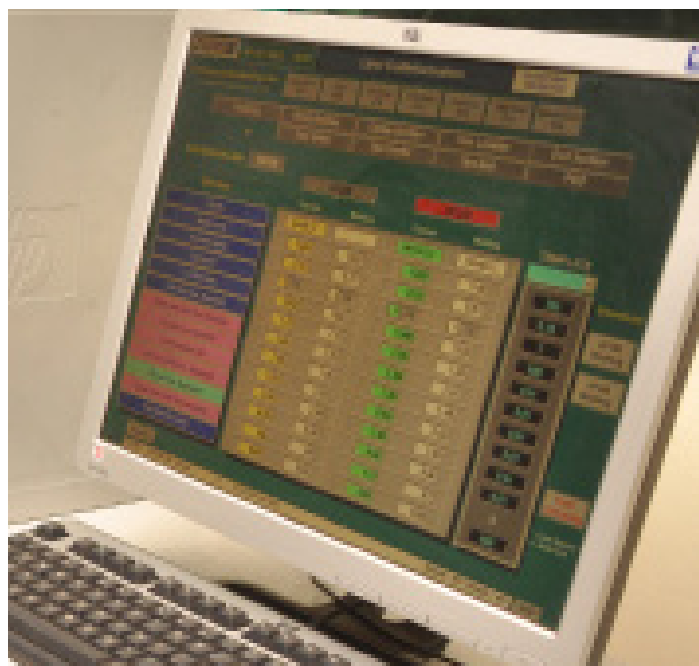
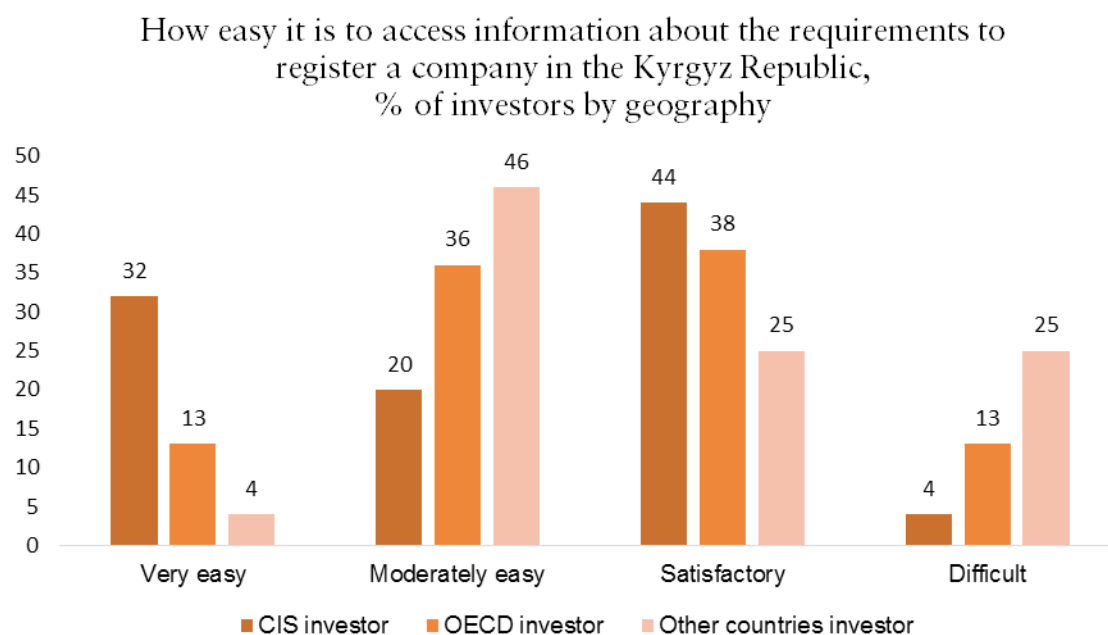


FIGURE 2. ACCESS TO INFORMATION ABOUT THE REQUIREMENTS TO REGISTER A COMPANY REMAINS A CHALLENGE FOR INVESTORS \*\*\*\*



## Sources of information

The majority of investors relied on other companies working in the Kyrgyz Republic as well as on their friends, relatives and diaspora for getting accurate and full information about the business registration process in the country – 34% and 26% respectively. State authorities that would naturally be the first choice for getting this type of information are among the least preferred sources. Just 18% of investors referred to them for information.

## Time required to register a company

The average time period for registering a company has been 14 days. Re-registration of an existing company takes at least one day, whereas obtaining all necessary licenses and permits can take up to two years.

The majority of investors used the specialized services of law firms to register their companies in the Kyrgyz Republic. Some 66% of investors did it with the help of law firms, with just 32% doing it on their own.

## Cost of registering a company

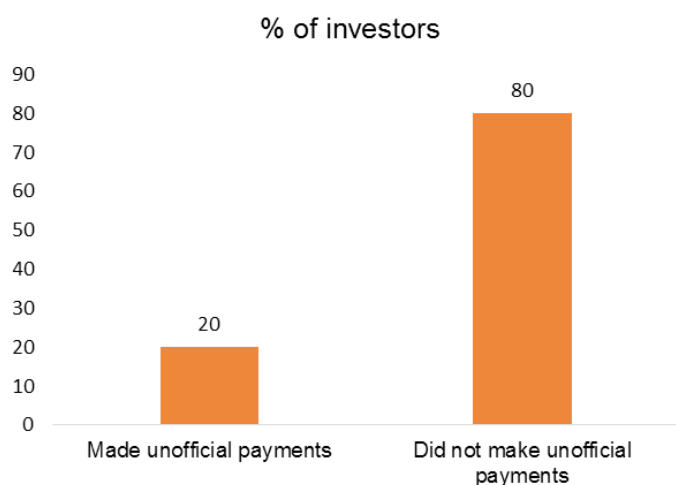
The official cost of registration is in the range of \$200-250 if the services of law firms are used. If an investor opts to do it on its own it costs from \$7 to \$20 less the above figure.

Some 58% of investors evaluated the quality of coordination between state authorities in the process of registering a company as satisfactory. 23% of investors considered it to be poor. Considering that there were just three state agencies involved in the process, it is clear that inter-agency coordination and communication is a pain point of the registration process in the Kyrgyz Republic. This probably explains why the majority of investors chose to work through law firms.

A majority (80%) did not resort to unofficial payments during the registration process. The other 20% of investors, however, made unofficial payments at some time, even after the process was over (Figure 3).

\*\*\*\*'Moderately difficult' and 'difficult' responses were totalled.

FIGURE 3. A SMALL NUMBER OF INVESTORS MAKE UNOFFICIAL PAYMENTS DURING THE REGISTRATION PROCESS

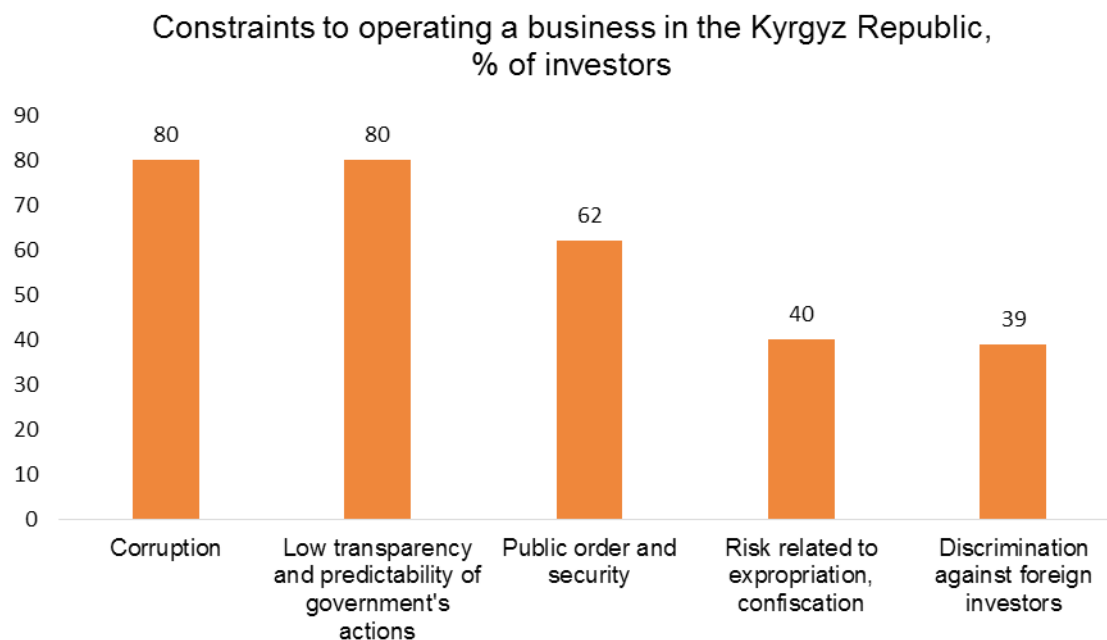


## Investor protection and confidence – running a business in the Kyrgyz Republic

Both current and past investors have cited corruption and low transparency and predictability of the government's actions as top constraints to running a business in the Kyrgyz Republic. Public order and security in the country is another critical concern for investors. While it is fairly easy to enter the market and register a company, operating a business and doing it effectively is not an easy task. Deeply ingrained corruption, lack of transparent government policies and decisions result in an unpredictable legal and regulatory environment which diverts investors' resources from business development, job creation and growth.

Investor protection and confidence is perceived as low, according to responses. Some 40% of investors consider that there is some level of discrimination against foreign investors in favor of local ones. They also fear of possible unfair expropriation and confiscation of their assets in the country.

FIGURE 4. CORRUPTION AND LACK OF TRANSPARENCY ARE THE BIGGEST CONSTRAINTS IN RUNNING A BUSINESS

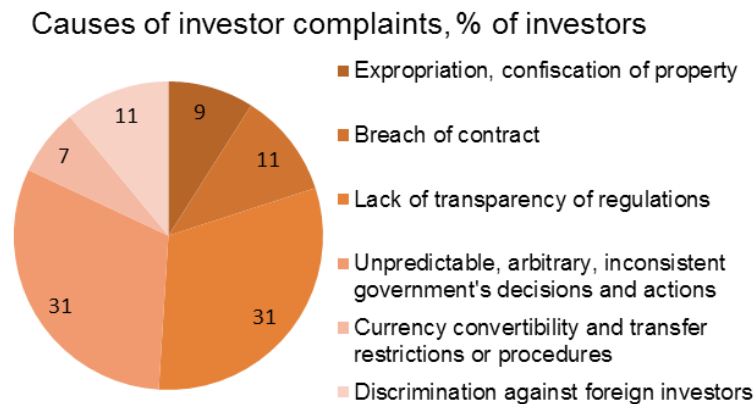




## Investor complaints and dispute resolution

While 57% of investors are generally satisfied with the actions of state authorities in the Kyrgyz Republic, 43% of investors encountered difficulty in dealing with them. The largest percentages (57%) of complaints have come from OECD countries. The majority are about the lack of transparency in regulations, e.g. such as the absence or lack of clarity of criteria for filling in out an application or obtaining a license, frequent changes in legislation without consultation with or notification of other stakeholders in the process. Inconsistency in the decisions and actions of the government is another cause of investor complaints (Figure 5).

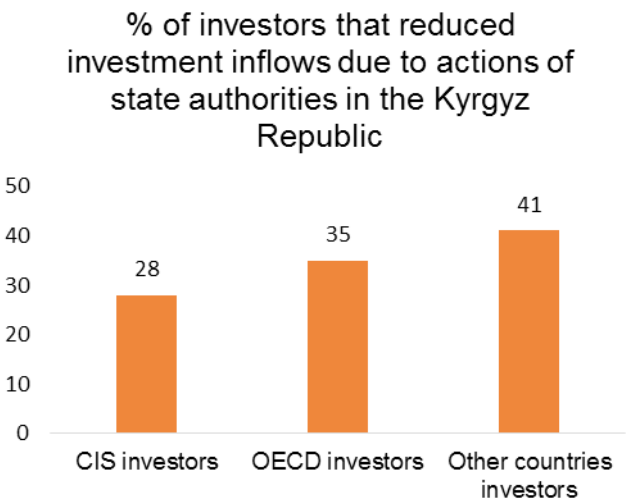
FIGURE 5. LACK OF TRANSPARENCY AND CLARITY OF PROCEDURES AND UNPREDICTABILITY OF GOVERNMENT DECISIONS CAUSE THE LARGEST NUMBER OF COMPLAINTS FROM INVESTORS



No fewer than 58% of investors have considered terminating their businesses as a result of inefficient and damaging actions of state authorities in the Kyrgyz Republic. Some 66% of the companies that considered leaving the Kyrgyz market come from 'other' countries (non-CIS or OECD countries).

Inefficient actions of state authorities have led to a decrease in investment inflows by 34% in the Kyrgyz Republic (Figure 6).

FIGURE 6. POOR ACTIONS OF STATE AUTHORITIES HAVE HAD A DAMAGING EFFECT ON INVESTMENT INFLOWS



The majority of investors (63%) have not filed an official complaint as a result of their dissatisfaction with actions of state authorities. Investors do not trust the current system of handling investor complaints. They question the transparency and fairness of the process.

Of 29 companies that filed a complaint, just 13 of them managed to resolve the issue. It takes on average up to 200 days and from \$30 to \$3,000 in official payments (state duties and other official fees) to resolve an issue. Other financial costs associated with a formal complaint resolution (legal counselling, consulting, travel expenses), including informal payments range, from \$2,000 to up to \$50,000 per claim. Added to that are the salaries of employees involved in the matter. Overall, the average cost borne by investors involved in dealing with a formal complaint ranges from \$5,000 to 10,000 per case.

Some 63% of investors consider the efficiency of state authorities' handling of investors' complaints as 'poor', efficiency being defined as the adequacy of the solution and the quality of its implementation.

The majority of investors still spend considerable time and effort on dealing with numerous administrative barriers, especially related to dispute resolution and closing a business.



For instance, despite the efforts to simplify bureaucratic processes and minimize business interactions with state authorities, the total number of complaints against the actions of state authorities and the average number of days spent by businesses in filing these complaints exceeds significantly the same indicators for certain other countries in the region.

A commercial risk increases due to the absence of duly functioning mechanisms for appealing the decisions of state authorities. Investors' trust and confidence in the fairness and transparency of the existing dispute resolution system are low. This often forces investors to look for other ways of dealing with disputes or complaints, thus fueling an already rampant corruption.

## Investment incentives

The key finding of the survey of operating and non-operating investors in the Kyrgyz Republic is the non-critical role non-tax incentives play in investment decisions. The majority (87%) of investors are ready to operate in the market without any special benefits in the form of incentives.

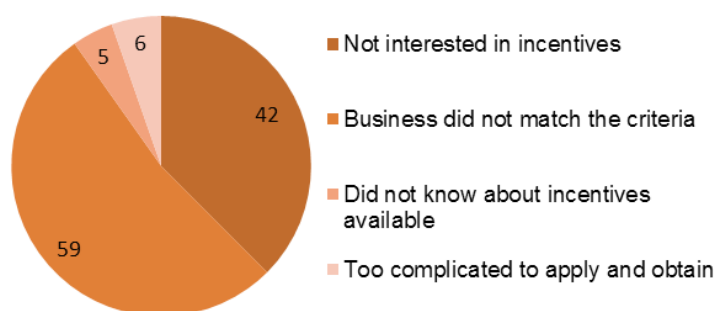
This is not, however, the case with tax incentives. Tax- and customs-related incentives are important for 62% and 53% of operating and non-operating investors respectively. The complicated taxation system does not encourage graduation between tax regimes, for instance, from patent to simplified tax regime, or from simplified to general tax regime.

Eighty-nine percent of SMEs with a turnover of below one million Kyrgyz som (\$21,673), and 91% of SMEs with turnover of from one to four million Kyrgyz som (\$21,673–\$86,692) are eligible for the simplified tax regime but choose to operate under the general tax regime, despite its generally complex and labor-intensive compliance demands. Similarly, the majority of individual entrepreneurs avoid shifting to the simplified tax regime from the patent as the latter is very attractive in terms of tax amount, audits, and reporting procedures. At the same time, the patent regime is not widely recognized by small and medium enterprises as a special regime providing incentives for businesses.

The majority of investors (48%) received incentives automatically. A third of companies had to apply to one state authority, while the rest had to deal with two to three authorities. Those that dealt with multiple agencies complained about their lack of clarity and coordination. The majority of companies did not apply for investment incentives because they did not meet the criteria (Figure 7).

FIGURE 7. THE REASONS FOR NOT APPLYING FOR INCENTIVES

### Reasons for not applying for incentives, % of investors



## Quality of information and awareness of incentives

The level of awareness about the existing incentives is low. Half of the investors surveyed are aware of tax incentives and only 26% of investors know of non-tax incentives offered by the government of the Kyrgyz Republic. Of the non-tax incentives, the best-known types are direct grants and schemes of joint spending (monetary grants, share subsidies, co-financing options) and regulatory incentives (decreased payment for public services).

A third of investors find the information about available incentives and the requirements of applying for them poor, while 54% of investors consider it satisfactory. The tax code is considered the key source of information about investment incentives by 40% of investors. The remaining 60% refer to relevant authorities (tax and customs agencies) for information about incentives.

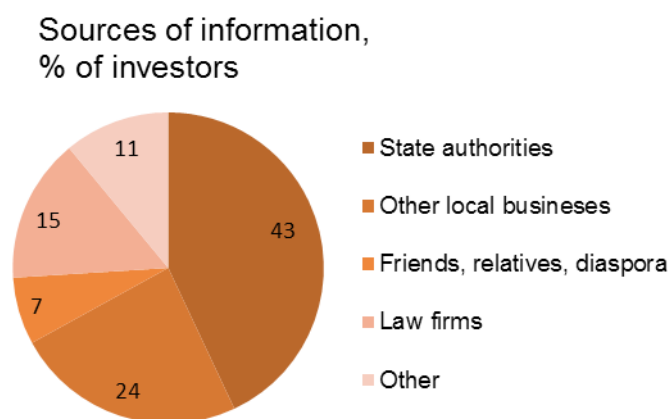
## Market exit

### Access to information

The 43% of investors that had to close their businesses in the Kyrgyz Republic reported a great deal of difficulty in getting clear, comprehensive and full information about the relevant requirements. It was particularly difficult for companies coming from 'other' (non CIS or OECD) countries (71%).\*\*\*\*\*

The key sources of information about the requirements are government authorities, unlike the case of registering a company (Figure 8).

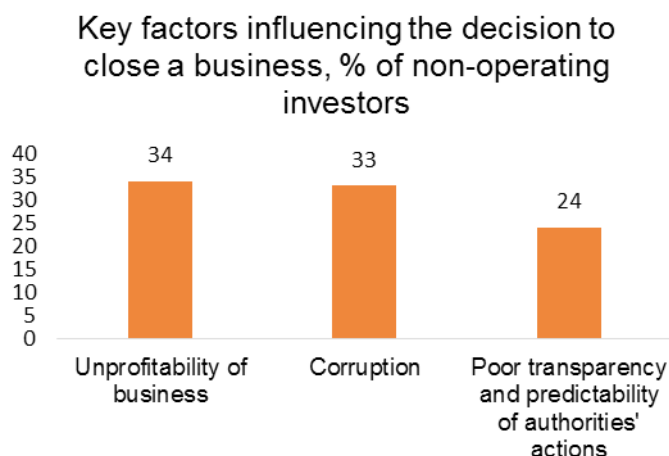
FIGURE 8. STATE AUTHORITIES ARE THE KEY SOURCE OF INFORMATION ABOUT THE REQUIREMENTS FOR CLOSING A BUSINESS



### Decision to close a business

Key factors for closing a business in the Kyrgyz Republic by non-operating investors were the unprofitability of the business, corruption, and poor transparency and predictability of authorities' actions (Figure 9).

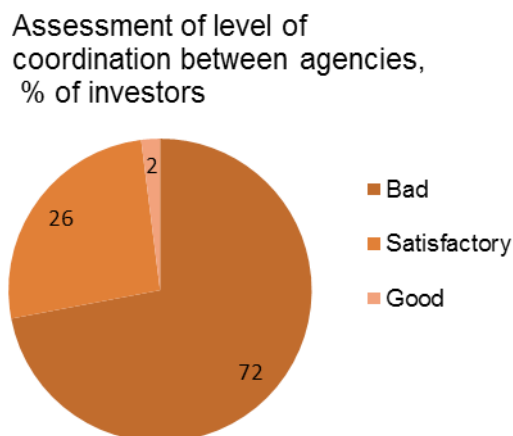
FIGURE 9. KEY FACTORS INFLUENCING THE DECISION TO TERMINATE A BUSINESS



### Method of closing a business

Over half of investors chose to close their business on their own, while 44% of companies hired law firms to do so. The figures are similar for non-operating investors, where an even larger percentage chose to close the business on their own. On average, investors had to visit from four to six different ministries when closing a business. The State Tax Service was among the agencies that had the lengthiest procedures for 95% of investors. An overwhelming majority of investors gave a negative assessment of the level of coordination between agencies (Figure 10).

FIGURE 10. THE LEVEL OF COORDINATION BETWEEN AGENCIES IS VERY POOR



\*\*\*\*\* 'Moderately difficult' and 'very difficult' were added up.

## Cost of closing a business

In the opinion of investors, closing a business is accompanied by informal payments: 45% of investors had to make informal payments when closing their business. This is specifically true for investors from the “Other” group of countries (83%).

The procedure for liquidating a legal entity poses a serious challenge. In practice, the liquidation process takes from six months to several years and involves from five to seven different state authorities and banks of the Kyrgyz Republic. As a result, the number of “abandoned” legal entities (non-operating and not closed) is increasing by year. Therefore, statistics on the number of registered legal entities versus the number of those actually operating is significantly distorted.

# RECOMMENDATIONS

## Market entry – starting a business:

- Abolish the re-registration requirement in case of a decrease or increase in the charter capital, change of the company name or profile (address or phone numbers). Instead, the companies should simply renew the relevant information in the registering body.
- Clearly stipulate in the legislation grounds for rejecting the registration documents.
- Introduce into the legislation regulating the registration procedure “the silence implies consent” principle: registration of a legal entity shall be deemed completed if no clear and justified refusal is provided within three days.
- Transfer responsibility for one-stop shop registration of legal entities from the State Registration Service to the State Tax Service. Introduce online registration.

## Investor confidence and protection – running a business:

- Reduce the term for consideration of an application and response by the state body authorized to issue permits from 30 to 15 days.
- Expand the effect of the tacit consent to all permits where it is possible: if, upon completion of mandatory documents by an applicant for obtaining a permit, the state body authorized to issue permits fails to take a positive or negative decision within the established term, the decision shall be deemed as automatically one of approval;
- Draft a framework law on permits containing the exhaustive register of permits, including permits issued by local self-government bodies, and establishing in detail rules, procedures and terms for obtaining permits;
- Have the majority of permit-issuing agencies follow the notification-based (declarative) principle within the permits system as an alternative to issuance of permits to low-level risk companies. Tacit consent should be expanded to other types of permits as well;
- Establish a clear framework for grievance resolution with detailed rules, procedures and terms.

### Investment incentives:

- Collect and keep records of data on the cost of incentives, as this information is needed for any analysis of the incentives' efficiency;
- Carry out cost-benefit analyses of specific types of incentives. Given substantial lost benefits from tax revenues, it is very important that the decision-maker have comprehensive information about the incentives' impact;
- Introduce transparency principles into the decision-making process on granting incentives. Procedures and terms for receiving investment incentives must be simple, objective, transparent and publicly available;
- Carry out detailed analyses and evaluation of procedures and mechanisms for granting incentives to assess their efficiency;
- Develop a framework policy for investment incentives. Efficient use of incentives depends on a concerted approach, identification of priority industries, regions, types of incentives and types of companies eligible to receive incentives, which will not only decrease distortion and unfair competition, but rather increase the efficiency of the resources used.

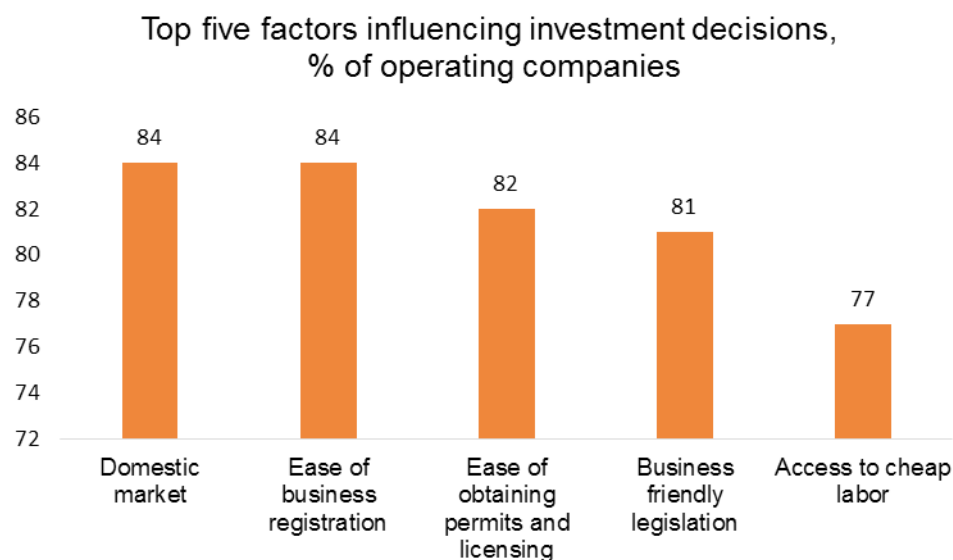
### Market exit – closing a business:

- Consider transferring the functions on registration and liquidation of commercial entities from the justice authorities to the tax authorities;
- Establish an exhaustive list of documents submitted for the purpose of liquidation, and a maximum term for liquidation (not over 60 calendar days);
- For each state, designate the bodies involved in the liquidation process and the limited period for checking;
- Exclude liability of shareholder/participant/parent company upon liquidation of legal entity/branch/representative office;
- Introduce the one-stop-shop principle in business liquidation.

## CHAPTER 1 – FACTORS INFLUENCING INVESTMENT DECISIONS

For operating investors the top five factors that influence their investment decisions are investing in a domestic market, the ease of registering a business in a given country, the ease of obtaining all necessary licenses and permits to operate, how business-friendly the legislation is and access to cheap labor (Figure 11).

FIGURE 11. EASE OF DOING BUSINESS IS ON TOP OF INVESTMENT DECISIONS



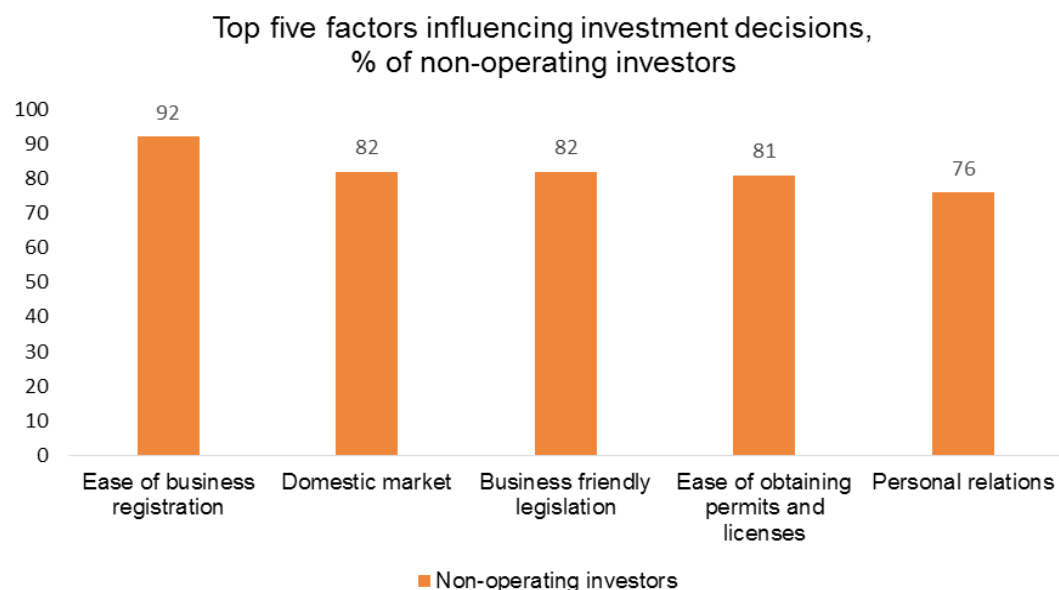
A more detailed list of factors that are significant for current investors is provided in Annex 1 and Table 1 below.

TABLE 1: FULL LIST OF FACTORS INFLUENCING INVESTMENT DECISIONS:  
OPERATING COMPANIES

Factors		Important, %
1.	Domestic market	84
2.	Ease of business registration in a country	84
3.	Ease of getting licenses and permits	81
4.	Business-friendly legislation	80
5.	Access to cheap labor	77
6.	Transparency and predictability of laws	75
7.	Availability of the relevant infrastructure	72
8.	Access to other markets, including proximity	70
9.	Ease of dividends and profits repatriation	70
10.	Personal relations (friends, relatives, diaspora)	69
11.	Trade relations of the Kyrgyz Republic with other countries	68
12.	Stability of currency	63
13.	Availability of tax and customs incentives (exemption from tax, customs fees and duties, VAT)	62
14.	Access to raw materials/resources	60
15.	Availability of business support services	56
16.	Transparent and fair judicial system	55
17.	Access to banking finance	48
18.	Access to land resources	42
19.	Availability of non-tax incentives (direct grants or options of co-financing; discounted interest rates or bank guarantees; training; personnel hiring incentives and/or subsidies for R&D; discounted public services fees)	37
20.	Existence of free economic zones/industrial parks	31
21.	Other	10

The results of the survey revealed that a similar set of conditions is important for non-operating investors when making an investment decision. They put a slightly higher emphasis on the ease of the company registration process and slightly higher emphasis on the availability of personal relations in the country (friends, relatives, diaspora) (Figure 12).

FIGURE 12: NON-OPERATING INVESTORS HAVE SIMILAR REQUIREMENTS INFLUENCING INVESTMENT DECISIONS



A more detailed list of the factors that influence investment decisions of past investors is provided in Annex 1 and Table 2 below.

TABLE 2: FULL LIST OF FACTORS INFLUENCING INVESTMENT DECISIONS – NON-OPERATING COMPANIES

Factors		Important, %
1.	Ease of business registration	92
2.	Domestic market	82
3.	Business-friendly legislation	82
4.	Ease of getting licenses and permits	81
5.	Personal relations (friends, relatives, diaspora)	76
6.	Access to cheap labor	74
7.	Transparency and predictability of laws	71
8.	Stability of currency	71
9.	Trade relations of the Kyrgyz Republic with other countries	69
10.	Availability of relevant infrastructure	68
11.	Ease of dividends and profit repatriation	65
12.	Access to other markets, including proximity thereof	64
13.	Access to raw materials/resources	62
14.	Access to banking finance	59
15.	Transparent and fair court system	59
16.	Tax and customs incentives (for instance, exemption from tax, customs fees and duties, VAT)	52
17.	Availability of business support services	51
18.	Access to land resources	42
19.	Non-tax incentives (direct grants or co-financing options, discounted interest rates or bank guarantees, training/incentives for personnel hire and/or subsidies for R&D, reduced fee for public services)	33
20.	Existence of free economic zones/industrial parks	31
21.	Other	2



The results show that investors are interested first and foremost in how easy it will be to enter the market and to run a business in a given country. The greatest emphasis is placed on how clear, transparent and predictable the legislation is, how easy it is to access all requirements overall, and how business friendly regulations are. Other important elements such as the availability of business support services or techno parks are not priority conditions for investors. They are more 'nice-to-have' rather than 'must-have' for an investment to take place. Investors are also prepared to work without additional benefits or incentives, provided these are non-tax related incentives. Both current and past investors would welcome tax- and customs-related incentives, however. Taxation and customs are the real pain points of the investment environment in the Kyrgyz Republic.

## CHAPTER 2 - MARKET ENTRY – REGISTERING A COMPANY

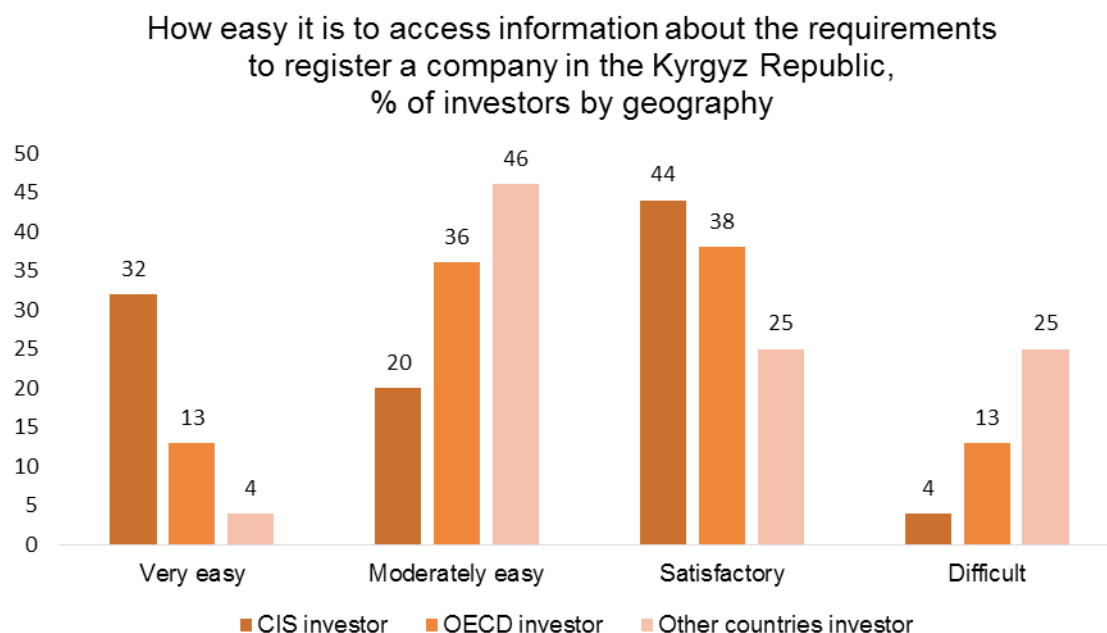
### Access to information about the requirements

Half of the investors surveyed had not encountered difficulties in obtaining full and accurate information about the requirements for opening a company. Some 40% of investors reported that access to information about the business registration process is 'satisfactory', while 11% had real difficulties in meeting the requirements. Access to information about the registration process was only 'satisfactory' for 44% of investors from CIS, for whom it should arguably have been easier than for others, such as OECD countries.

### Sources of information

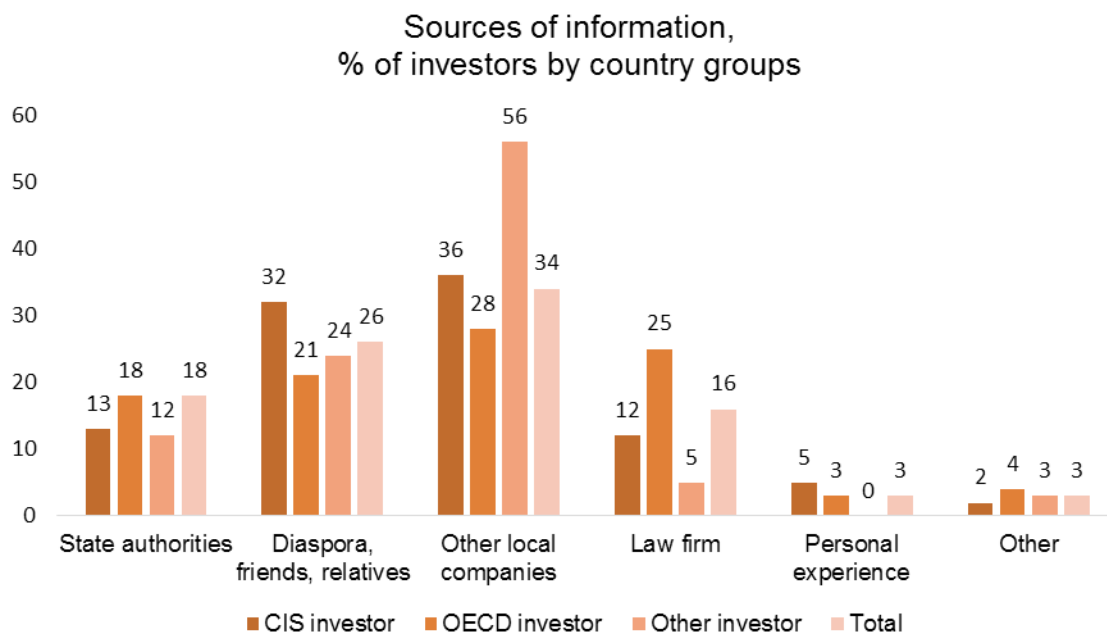
The main sources of information for 34% of investors were local companies operating in the area of interest. Some 26% of investors relied on the diaspora, and friends and relatives, to get information about requirements. Just 18% of investors approached state authorities and 16% got information from law firms.

FIGURE 13. ACCESS TO INFORMATION ABOUT THE REQUIREMENTS TO REGISTER A COMPANY REMAINS A CHALLENGE FOR INVESTORS\*\*\*\*\*



\*\*\*\*\*'Moderately difficult' and 'difficult' responses were added up.

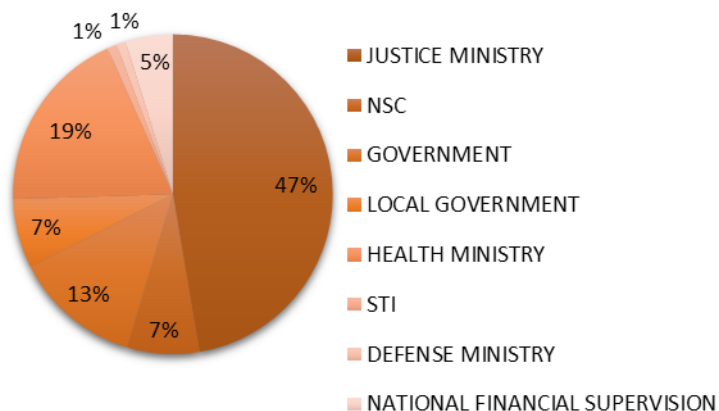
FIGURE 14. MAIN SOURCES OF INFORMATION ABOUT REQUIREMENTS TO REGISTER A COMPANY



In the majority of cases the investors reached out to the Ministry of Justice, Ministry of Health Care and offices of the government for information regarding the registration process.

FIGURE 15. MAJOR STATE AUTHORITIES AS SOURCES OF INFORMATION

#### Source of information by authorities

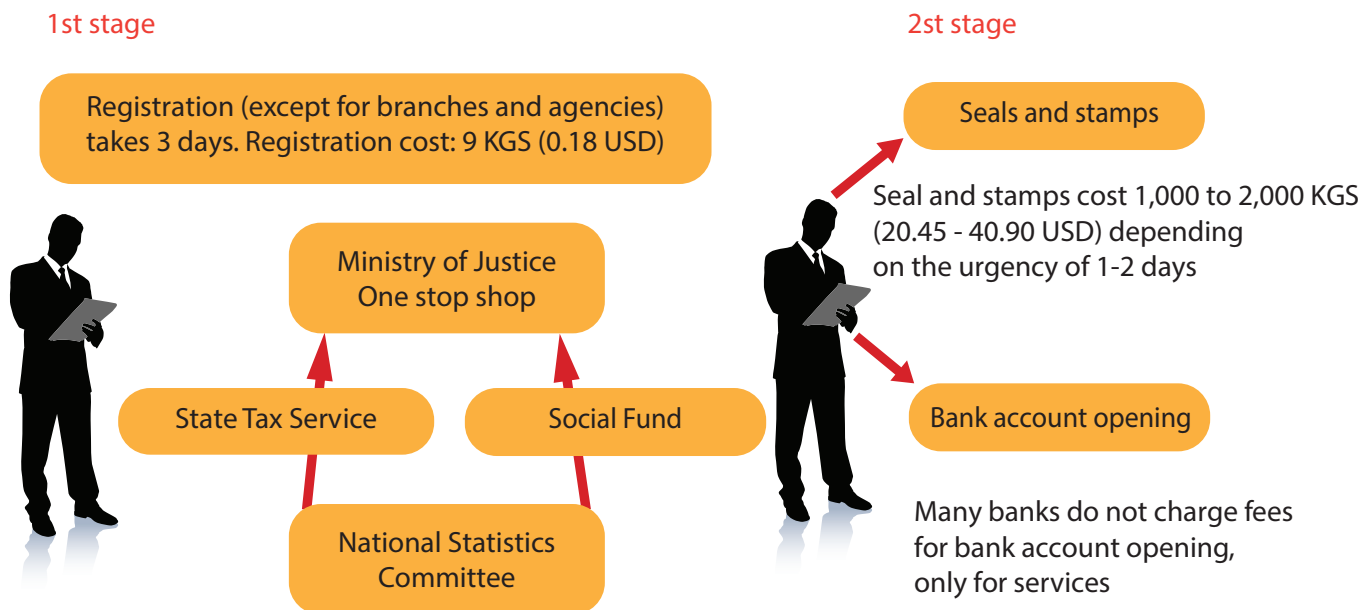


Registration of legal entities in the Kyrgyz Republic is notice-based; companies are registered based on the one-stop-shop principle. State registration is carried out from three to ten business days from the date of submission of all documents required:

1. application upon registration;
2. resolution of a founder(s) approval for establishing of a legal entity;
3. legalized extract from the state register or any other document evidencing that a foreign entity is operating pursuant to the laws of its country;
4. a copy of the passport of the individual acting as manager of the legal entity.

Registration fees of 224 KGS + 30 KGS are paid for filing an application with the Social Fund and 20 KGS for a statement to the bank = 274 KGS (in total USD 7.5).

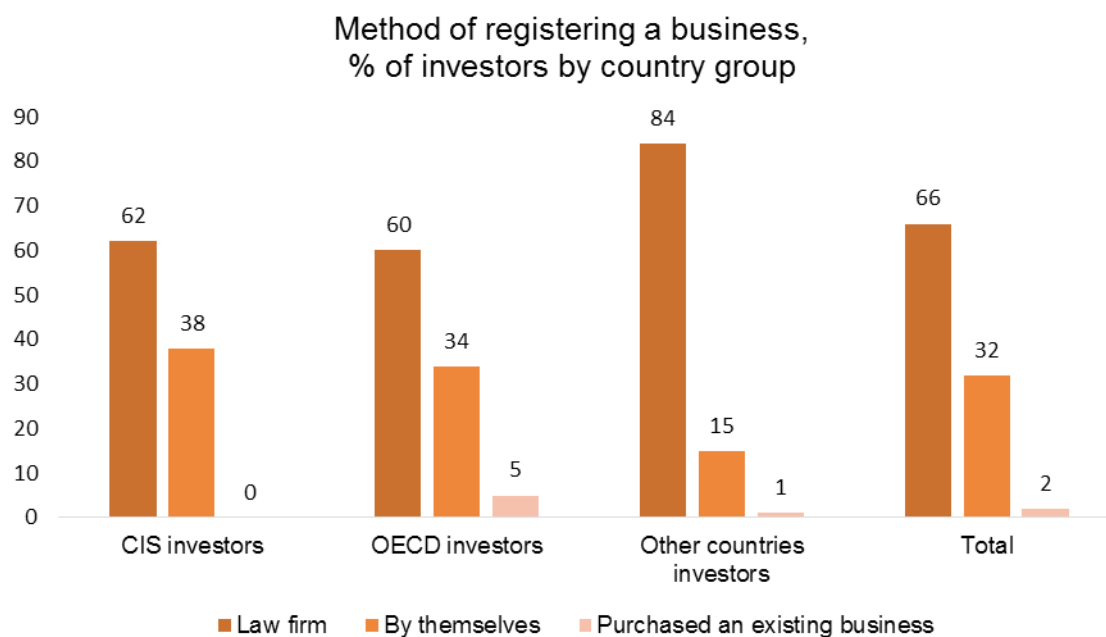
## ILLUSTRATION: PROCEDURE FOR OPENING OF A COMPANY\*



\*Cost of doing business in Kyrgyzstan, Chamber of Commerce of the Kyrgyz Republic & JICA

Of the investors surveyed, 66% used the services of law firms for registering their business. Others (32%) registered companies on their own. The remaining 2% of investors purchased existing companies.

FIGURE 16. THE MAJORITY OF INVESTORS HIRED LAW FIRMS TO REGISTER THEIR COMPANIES



## Duration of registration

Registration of a company in the Kyrgyz Republic takes 14 days. Re-registration of an existing company takes at least one day, whereas obtaining all licenses and permits takes up to two years.

During the registration procedure the investors have to deal with three state bodies: the Ministry of Justice, the State Tax Service and the Social Fund. Interaction with the Ministry of Justice takes much more time and is the most difficult.

## Quality of coordination among agencies

According to 58% of investors, the quality of coordination among different agencies involved in the registration process is satisfactory. Some 20% consider the coordination level to be good, with 23% of investors being very dissatisfied with how agencies coordinate and communicate on similar issues.

TABLE 3. THE QUALITY OF COORDINATION AMONG AGENCIES IN COMPANY REGISTRATION

Countries				
	CIS investors	OECD investors	Other countries investors	Total
	%	%	%	%
Very good	6	0	3	5
Good	15	19	3	15
Satisfactory	65	46	59	57
Poor	4	19	9	11
Very poor	9	16	25	12

## Cost of business registration

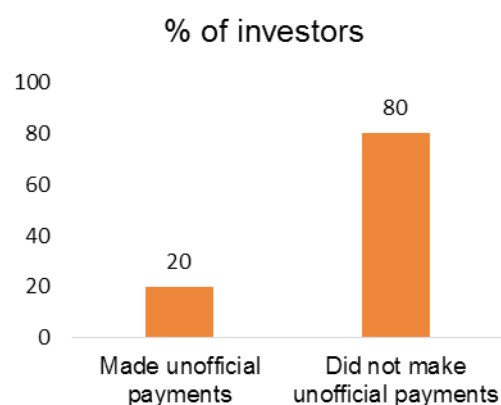
The average cost of the company registration in the Kyrgyz Republic is USD200-250 if services of a law firm are engaged. If the investor registers a business with his own resources the cost may decrease to USD7 – USD20, solely for official payments for forms and state services.

TABLE 4. COST OF REGISTERING A COMPANY RELATED TO FORMAL PROCEDURES

Countries				
	CIS investors	OECD investors	Other countries investors	Total
	%	%	%	%
Up to USD 100	27	9	11	16
Up to USD200	15	15	13	14
Up to USD 500	34	46	49	41
Up to USD 1000	11	13	20	15
Up to USD 10 000	10	13	5	11
Over USD 100 000	3	4	1	4

The majority of companies (80%) did not have to make informal payments in connection with the registration procedure. The other 20%, however, had to pay informal fees in some cases, even after the registration process was over.

FIGURE 17. A SMALL NUMBER OF INVESTORS MAKE UNOFFICIAL PAYMENTS DURING THE REGISTRATION PROCESS



The investors who registered their companies on their own were also interviewed with respect to the costs involved in the registration procedure.

On average, two employees were assigned to register a company, and spent 14 days completing registration. The investors from the CIS countries managed to complete the registration in seven days. It took 21 days for the investors from the OECD group and Other countries.

TABLE 5. NUMBER OF EMPLOYEES INVOLVED IN THE REGISTRATION PROCEDURE

Number of staff involved	Countries			Total
	CIS %	OECD %	Other %	
1	46	42	0	40
2	39	20	54	33
3	13	22	46	18
4	0	4	0	1
5	0	4	0	1
6	1	0	0	3
10	0	7	0	3

TABLE 6. NUMBER OF WORKING HOURS EMPLOYEES SPENT PREPARING NECESSARY DOCUMENTS AND COMPLETING THE REGISTRATION PROCEDURE

	Average
CIS	16.73
OECD	59.94
Other	46.45

Average wage of employees working over the registration procedure was USD280. The CIS investors paid on average USD200, whereas investors from OECD or other countries paid on average USD300.

TABLE 7. AVERAGE MONTHLY WAGE OF PERSONNEL WORKING IN REGISTRATION PROCEDURES, IN US DOLLARS

	Average
CIS	309.61
OECD	378.33
Other	262.00

Given the above, the average costs involved in registering a company using one's own forces range from USD300 to USD350, exceeding the cost of legal services of the law firms for business registration, which is on average USD200 – USD250. These are only rough estimates, as the company's employees may perform other functions in addition to business registration.

The majority of foreign investors (69%) believe that the registration procedure for a foreign-owned company in Kyrgyzstan is the same as for one owned by locals. Among investors, 31% think that the registration of local companies is cheaper by USD200, compared with the amount paid for registration by foreign investors.

TABLE 8. IS THE PROCESS OF COMPANY REGISTRATION THE SAME FOR FOREIGN AND LOCAL INVESTORS?

	Countries			Total
	CIS %	OECD %	Other %	
YES	23	31	51	31
NO	77	69	49	69

## CHAPTER 3 - INVESTOR PROTECTION AND CONFIDENCE

### Resolution of Investment Disputes

Pursuant to the legislation of the Kyrgyz Republic, parties to an investment dispute may, upon an agreement, choose any court for resolving a dispute, including arbitration courts located in the Kyrgyz Republic or outside its territory (national and international arbitration). In case of no choice of court provision in an agreement, such disputes shall be considered by the courts of the Kyrgyz Republic.

The investment disputes are resolved through consultations between the parties, if possible. If the parties fail to settle the dispute in a friendly manner within three months from the date of the first written notice requesting such consultations, the investment dispute between the investors and the state authorities of the Kyrgyz Republic shall be resolved in Kyrgyz courts.

Any party of the investment dispute may initiate dispute resolution by applying to

- the International Center for the Settlement of Investment Disputes (ICSID), pursuant to the Convention on the Settlement of Investment Disputes between States and Nationals of Other States or rules regulating the use of additional means for hearing by the Secretariat of the Center;
- the Arbitration court or international ad hoc arbitration tribunal (commercial court), established under arbitration rules of the UN Commission for International Trade Law (UNCITRAL).

The Convention on the Settlement of Investment Disputes between States and Nationals of Other States, dated March 18, 1965 was ratified in 1997. However, as no ratification instrument has been deposited, the country and investors may only use the additional facilities of ICSID.

The International Arbitration Court under the Chamber of Commerce of the Kyrgyz Republic (IAC CCKR) has been operating since 2003.

The main objective of the IAC CCKR is to assist legal entities and individuals in extra-judicial resolution of disputes arising from the civil relations between them, including entering into foreign trade and other types of international economic relations. Investment disputes are included, if the parties have agreed on the arbitration clause pursuant to which a dispute must be referred to the IAC CCKR.

### Results of the Survey of the Operating Companies

The most important constraints in running a business in the KR, in the opinion of the respondents, are corruption (80%), low transparency and predictability of actions of the state authorities (79%), public order and security (62%).

The investors have no problems with currency conversion and transfer, as well as no problems with breach of contractual terms by the government.

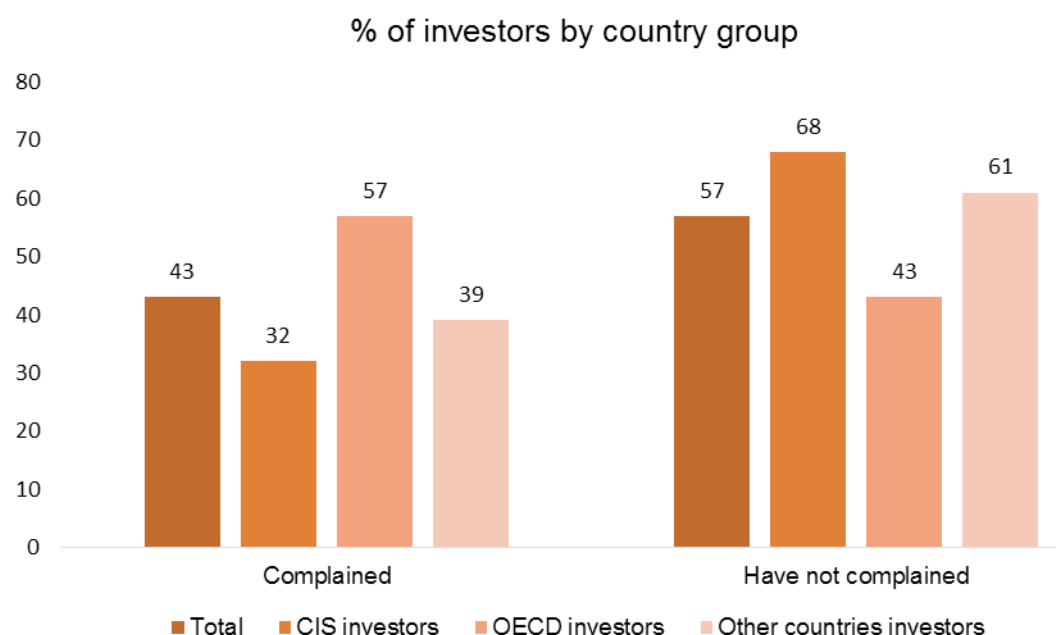
TABLE 9. FACTORS WHICH IMPEDE DOING BUSINESS

Factors		Important, %
1	Corruption	80
2	Low transparency and predictability of the Government's actions	79
3	Public order and security	62
4	Risks related to expropriation, confiscation	40
5	Discrimination against foreign investors compared with domestic investors	39
6	Violation of contractual terms by the government	27
7	Limitations: currency remittance procedures	24
8	Limitations: currency conversion procedures	20

A substantial number of foreign investors (73) think that there are no other obstacles to the companies' operations apart from those enlisted above. Yet 27 of the investors think that there are other factors that impede the current operations of the companies.

A full 57% of the companies are satisfied with the activities of state authorities, while 43% of investors had difficulties in their operations due to actions of state bodies. The largest number of complaints was noted among investors from OECD member countries (57%).

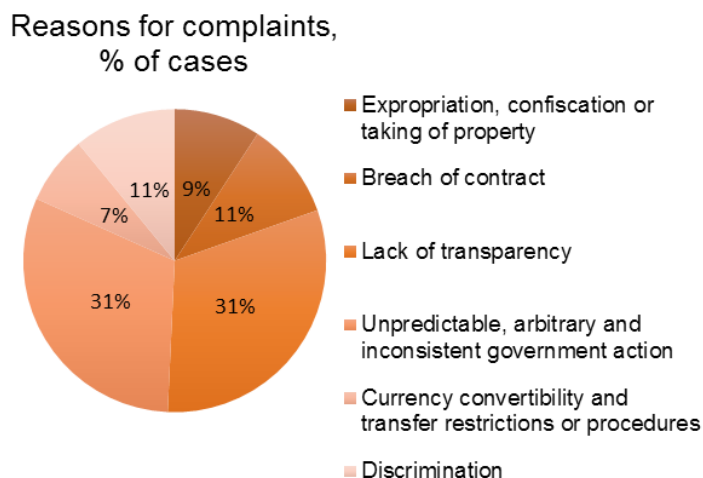
FIGURE 18. COMPLAINTS AND CLAIMS AGAINST ACTIONS BY THE STATE AUTHORITIES



Main complaints against the actions of the state authorities concern the following:

- 1) lack of transparency (for instance, absence or unclear criteria for filing an application or obtaining a license; frequent changes in the legislation without due consultations and notifications);
- 2) unpredictable, arbitrary and inconsistent actions of the Government (for instance, inconsistent application of a law by various state authorities).

FIGURE 19. MAIN REASONS FOR COMPLAINTS





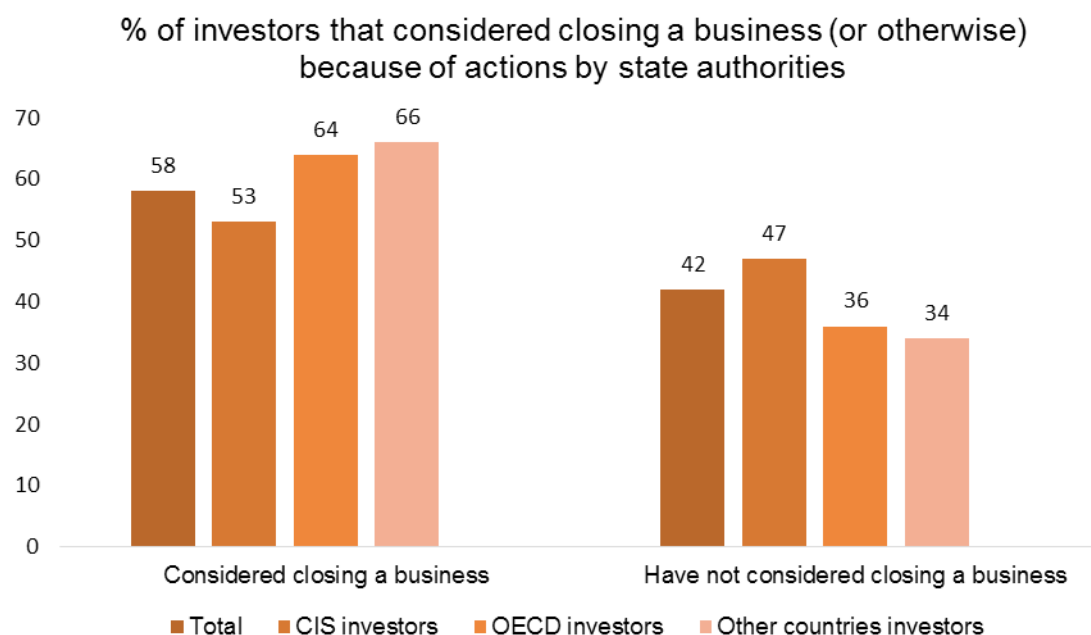
Detailed information by groups of countries is presented in Table 10 below.

TABLE 10. MAIN REASONS FOR FILING COMPLAINTS, BY GROUPS OF COUNTRIES

	Countries			Total
	CIS	OECD	Other	
	%	%	%	
1. Expropriation, confiscation or seizure of property	17	15	25	16
2. Breach of contract	13	17	32	18
3. Lack of transparency	65	49	43	54
4. Unpredictable, arbitrary and inconsistent actions	55	55	39	53
5. Limitations: currency conversion and remittance procedures	14	14	3	13
6. Discrimination	24	18	22	19

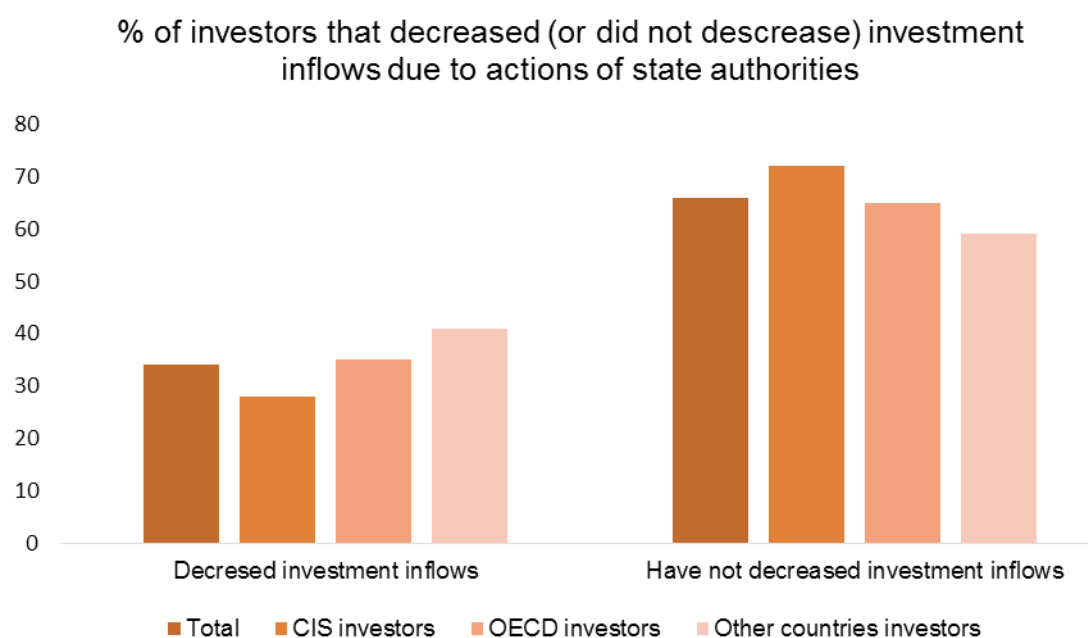
Some 58% of the companies have been thinking of terminating business in the Kyrgyz Republic due to actions of the state authorities; among them, 66% are owned by the investors from 'Other' countries, rather than from CIS and OECD groups of countries.

FIGURE 20. RISK OF BUSINESS CLOSURE DUE TO ACTIONS OF STATE AUTHORITIES



41% of the investors from the 'Other' countries and 35% of the investors from the OECD group of countries reduced their investment flow due to actions of the state authorities.

FIGURE 21. ACTUAL DECREASE IN VOLUMES OF INVESTMENT PROJECTS



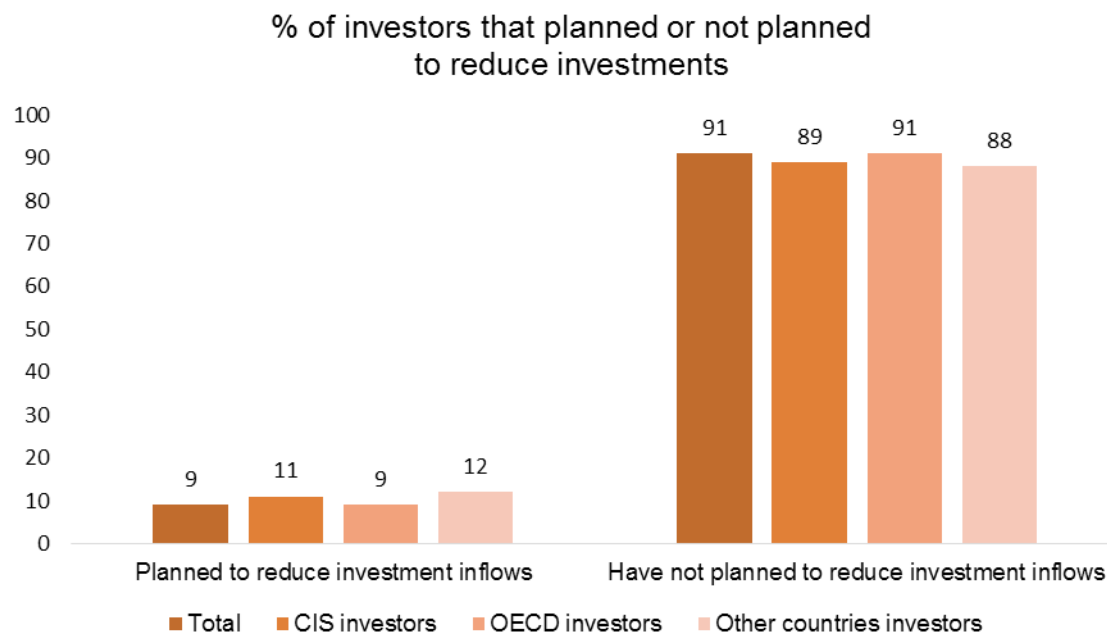
The estimated total amount of investments lost due to actions taken by state authorities is USD86.6 million. The greatest loss of investment in a single project was USD52 million; the lowest, USD20,000.

TABLE 11. VOLUME OF INVESTMENTS REDUCED DUE TO ACTIONS OF STATE AUTHORITIES

Average	
CIS	USD3000000.0
OECD	USD2000000.0
Other	USD1500000.0

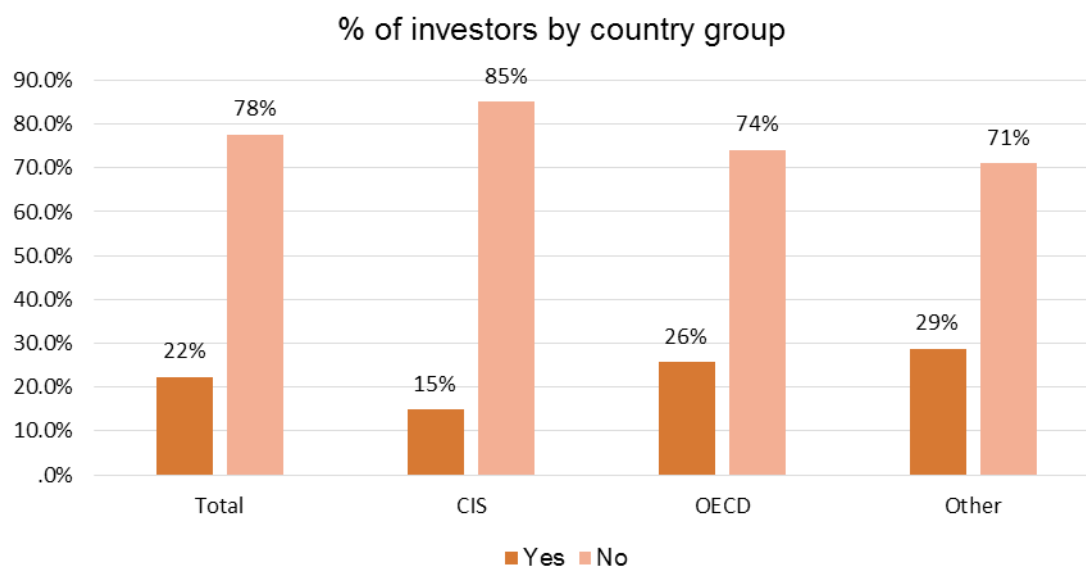
In 2014, as of the date of the survey, 91% of the companies did not consider a reduction in their future investment flows, whereas the remaining 9% of the companies planned to decrease the volume of existing investment projects due to actions of the state authorities. The largest estimated amount of reduced investments in one project was USD300 million.

FIGURE 22. THE MAJORITY OF INVESTORS HAVE NOT PLANNED TO CUT THEIR INVESTMENTS



Considering future investment projects, 22% of the companies decided not to invest in the Kyrgyz Republic, and the volume of investments in projects ranged from USD10,000 to USD35 million. The other 78% of the companies are not considering changes in their future investment plans due to actions of the state authorities (Figure 23).

FIGURE 23. THE MAJORITY OF INVESTORS HAVE NOT PLANNED TO CUT THEIR FUTURE INVESTMENT PROJECTS



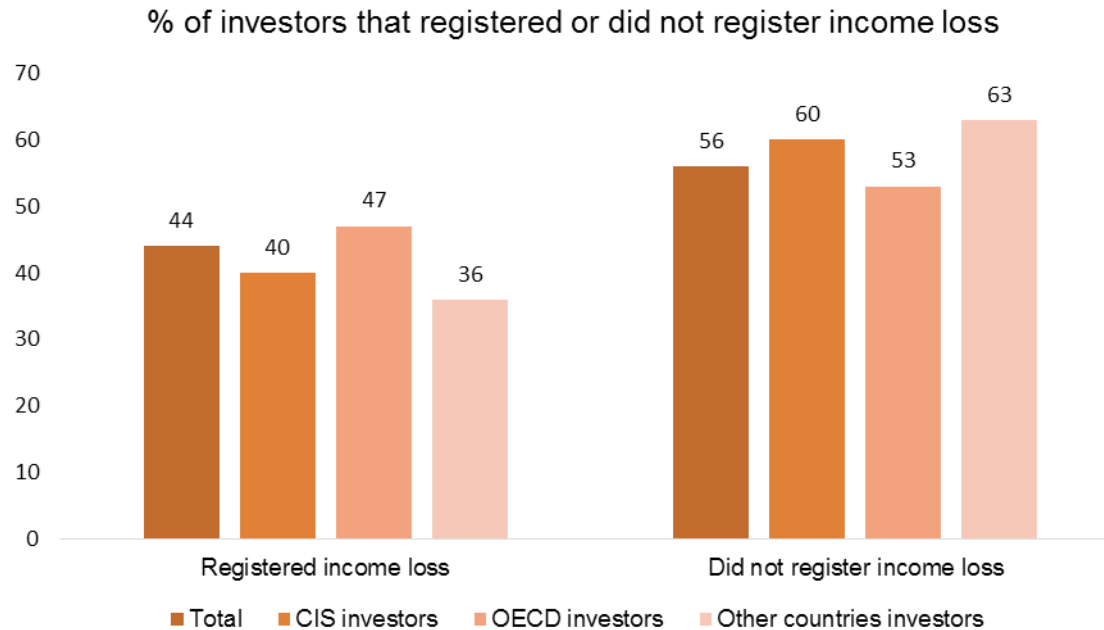
74% of the companies noted that they have not lost any assets as a result of the actions of state authorities, yet 26% of investors did lose assets, such as buildings and licenses. They estimated their losses to be in the range of from USD50,000 to as much as USD50 million.

FIGURE 24. THE MAJORITY OF INVESTORS REPORTED NO LOSS TO THEIR ASSETS FROM ACTIONS OF STATE AUTHORITIES



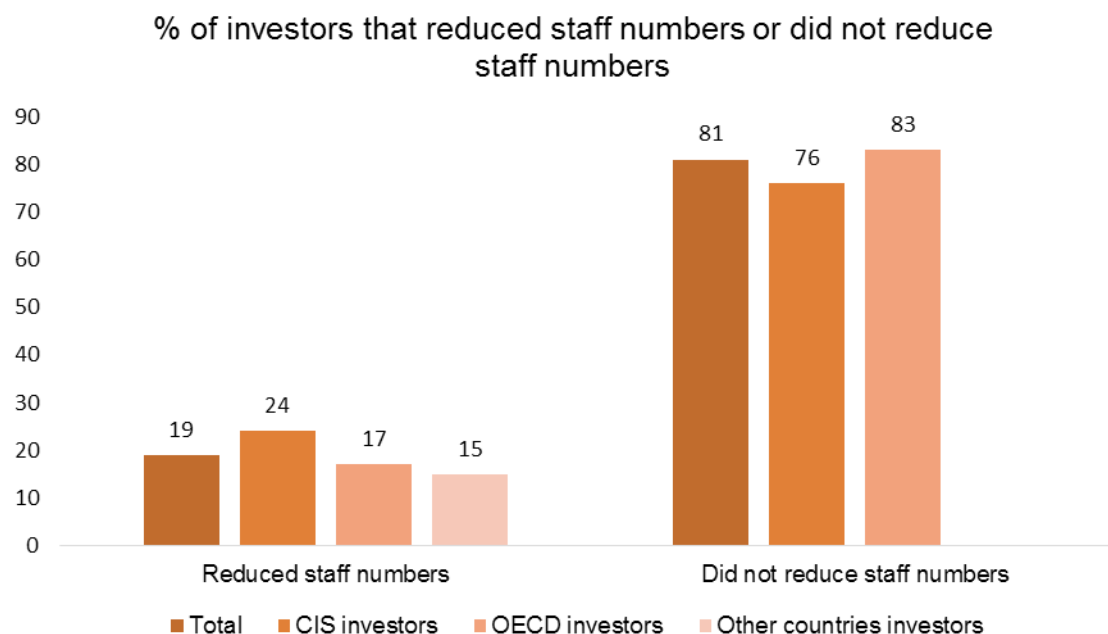
A substantial number of the companies (56%) reported that actions of the state authorities did not affect their income, yet 44% of investors noted a negative impact, and estimated that their revenues decreased by as little as USD 3,000 up to USD500,000.

FIGURE 25. ALMOST HALF OF INVESTORS REPORT THE POSSIBILITY OF LOSING INCOME AS A RESULT OF ACTIONS BY STATE AUTHORITIES



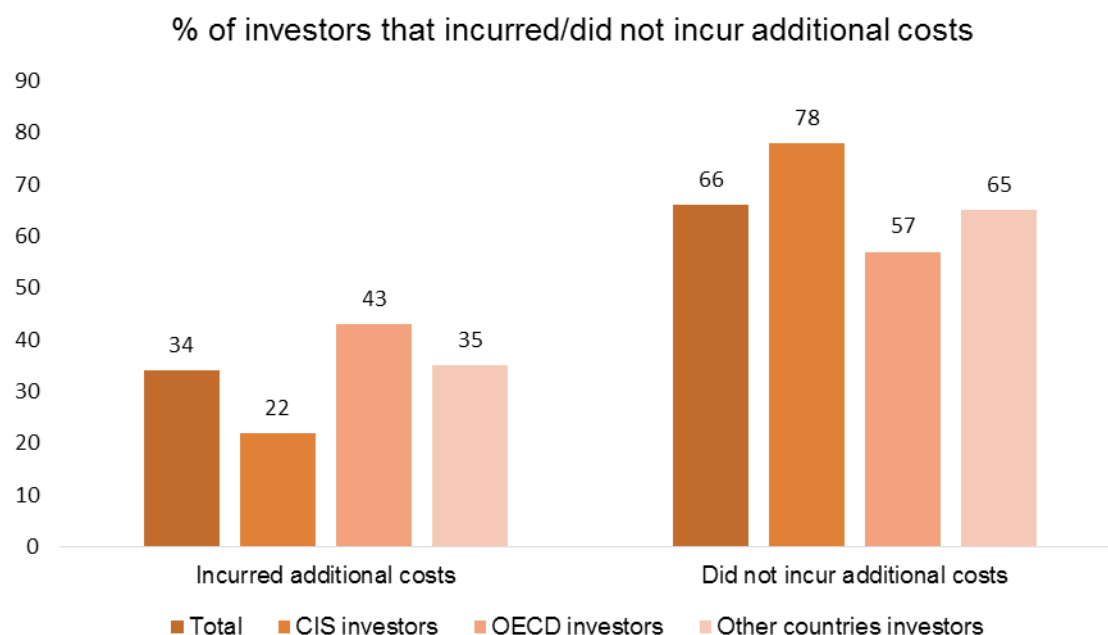
Some 19% of investors had to reduce their staff, some by 2-3 employees, others by as many as 250 employees. Yet for the majority of the companies (81%) staff numbers remained unchanged.

FIGURE 26. THE MAJORITY OF INVESTORS DID NOT REDUCE STAFF RESULT OF ACTIONS BY STATE AUTHORITIES



In addition to reduced income, 34% of the companies incurred other expenses. For instance, they had to pay the contractors after the licenses had been cancelled: they had to sell out the inventory at a very low price. Approximate amounts of losses incurred vary from USD5,000 to USD1.2 million.

FIGURE 27. ADDITIONAL LOSSES INCURRED BY INVESTORS



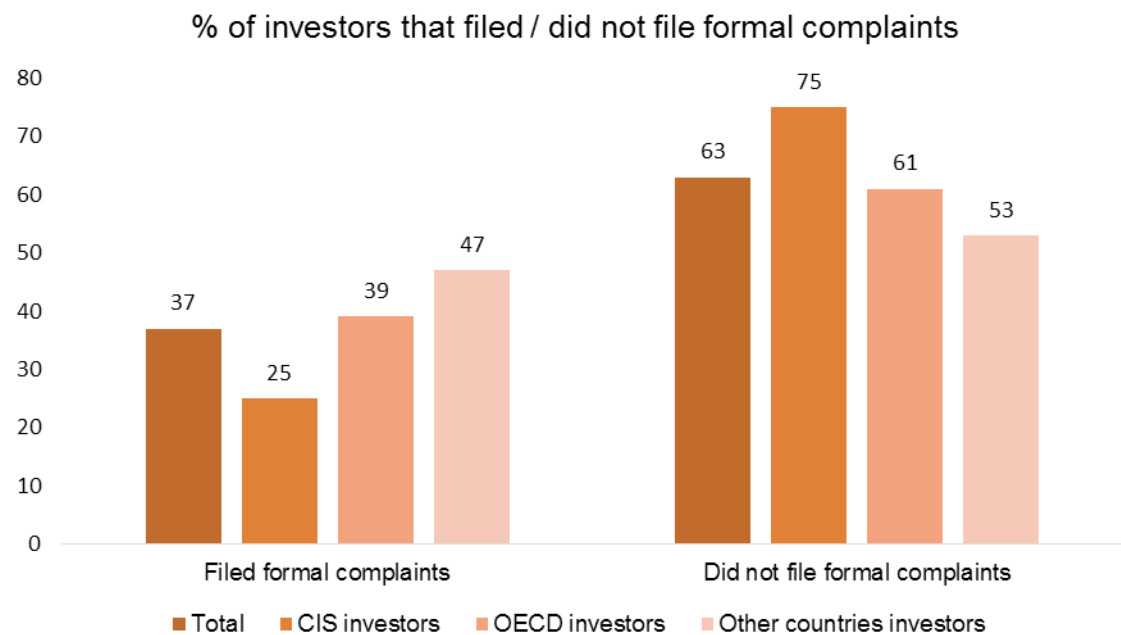
# Dealing with investor complaints

In response to the actions of the state authorities, 37% of the companies filed official complaints. The average number of complaints with respect to one issue was three. Twenty complaints, the highest number, was observed among investors from the OECD countries.

FIGURE 28. EFFORTS TO FORMALLY RESOLVE COMPLAINTS BY INVESTORS WHO FILED THEM FORMALLY

If the company disagrees with the final decision of the state body, it can appeal the decision, as 76% of the companies have done.

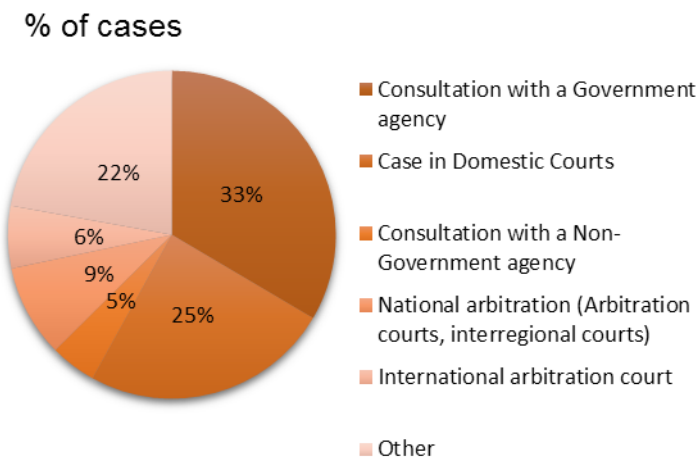
Major grievance tools are consultations with the state authorities, filing complaints with local courts and other informal methods. Investors from the OECD group of countries favored consultations with state authorities, whereas the investors from Other countries tried to resolve the issue informally. Lastly, the investors from CIS countries often filed complaints with the local courts. Some companies will consider applying to arbitration courts in future.



The majority of companies (63%) have not filed any official complaints against actions of the state authorities as they believe that the existing mechanisms do not resolve the complaints in a fair or satisfactory manner.

The existing grievances mechanism against actions of the state authorities allows the companies to state their arguments and facts, before a relevant state body makes an ultimate decision. A full 76% of the companies surveyed noted this fact, with 92% of the investors from CIS countries enjoying this right.

FIGURE 29. APPROACHES TO COMPLAINT RESOLUTION



Of 29 companies that filed formal complaints against the actions of state authorities, only 13 companies managed to resolve the issue; seven of these companies were owned by investors from the OECD group of countries.

The average number of decisions of the state bodies appealed by one company is three to five cases. The highest number of decisions appealed (10 cases) came from among investors from the OECD group of countries.

Of 13 companies 11 were awarded compensation by the state authority, but only one company in fact received this compensation.

The average time for solution of a formal complaint filed by a company ranges from 180 to 200 days, with a minimum of ten days and a maximum of 504 days.

The investors spent about USD30 – to USD3,000 as official payments in connection with consideration of a complaint. These sums involve payment of state duties and other official fees.

Other financial costs connected with filing a complaint include legal counsellors' fees, consultants' fees, and travel expenses; such costs may also include any informal payments, from USD2,000 to USD50,000 for one complaint.

In the majority of cases, two – five employees of the investors, and rarely a group of up to ten, are engaged in preparing the documents required for filing the complaint and participating in the relevant meetings and sessions in connection with consideration of the complaint.

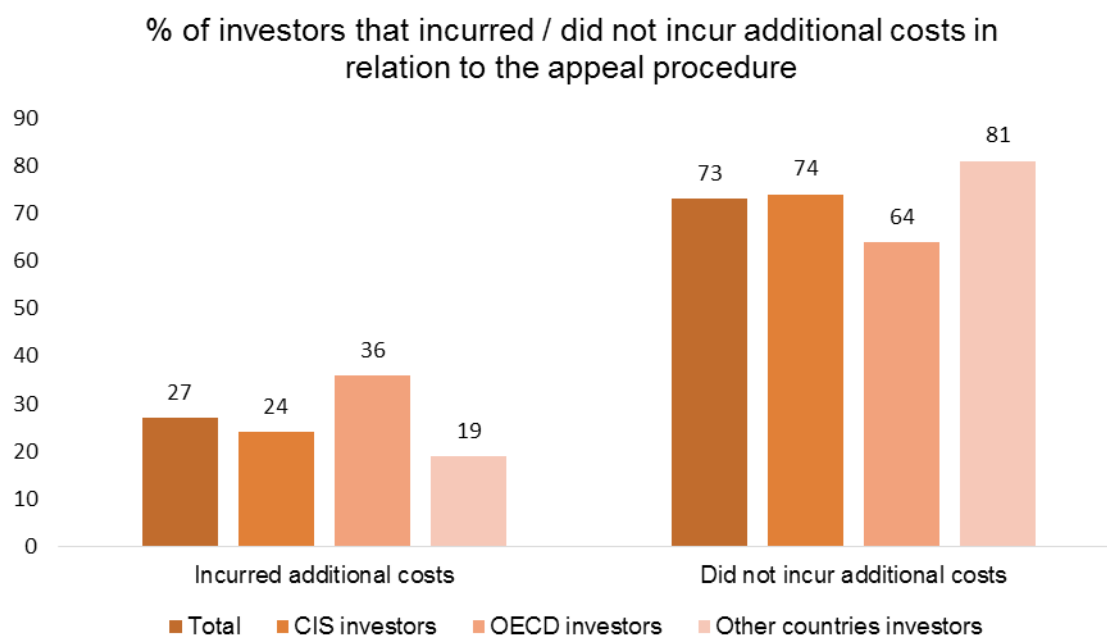
The working hours spent preparing the required documents and participating in the relevant meetings and sessions based on the decision may take from two to eight months. The maximum time may be years.

The average wage of the employees involved in the appeals procedure is about USD500 – USD800; the minimum wage is USD200 – USD300 per month. USD1000 – USD1500 is the maximum.

Thus the costs to the company of an appeal of the actions of state authorities could amount on average from USD5,000 to USD10,000. The maximum cost to the companies might reach USD50,000 and even USD100,000.

The majority of the companies (73%) which file formal complaints against actions of state authorities did not assume additional expenses for appeal of decisions. However, investors from the OECD group of countries (36%) note that they had to bear additional (informal) expenses.

FIGURE 30. ADDITIONAL COSTS RELATED TO THE APPEAL PROCEDURE

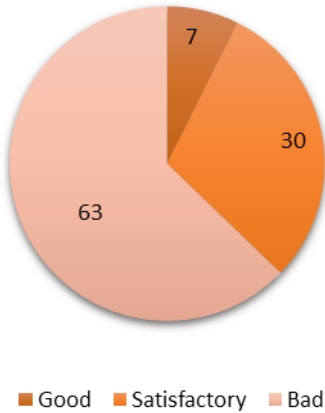


The efficiency of state authorities considering a complaint is evaluated as “poor” and “very poor” by 63% of the investors. A third of the investors evaluated it as “satisfactory” and investors from the Other countries as “good” (7%). Efficiency is the adequacy of the solution reached, and the way in which the solution is implemented. In general, 48% of the investors evaluate the rate of response of the state authorities to the complaints of the investors negatively. However, a significant number of the investors (42%) from the OECD group of countries are satisfied with the rate of the response.

Efficiency in solving a complaint, i.e. the relevance of the decision and the manner of its implementation, is negatively evaluated by 53.8% of the investors. However, a significant share of OECD investors (44%) are satisfied with the implementation of the decision, whereas the investors from Other countries rate it as “good” (47%).

FIGURE 31. EVALUATION OF EFFICIENCY OF ACTIONS OF STATE AUTHORITIES IN SOLVING A COMPLAINT

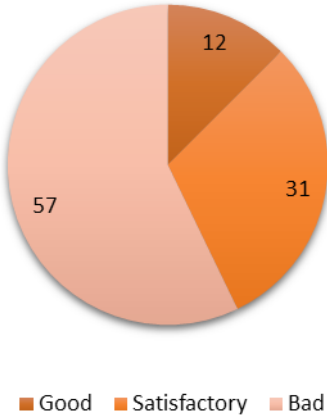
% of satisfactory by complaints



The majority of the investors (57%) have given a negative evaluation to the consistency of decisions of state authorities with respect to the identical issue raised by the same company. A third of the companies believe that the consistency of the decisions is satisfactory.

FIGURE 32. EVALUATION OF CONSISTENCY OF DECISIONS

% of satisfactory by complaints



### Access to information about legal requirements

According to investors there are no problems in receiving full and accurate information about legislation related to conversion and transfer of currency. 81% of the investors consider that this information can be easily accessed. Some 16% of the investors have some difficulties in receiving information about legislation regulating expropriation. There are problems in accessing the legislation on mechanisms for grievances consideration by the investors: a third of them believe that it is difficult to access such information, especially for the investors from the OECD countries and Other countries.

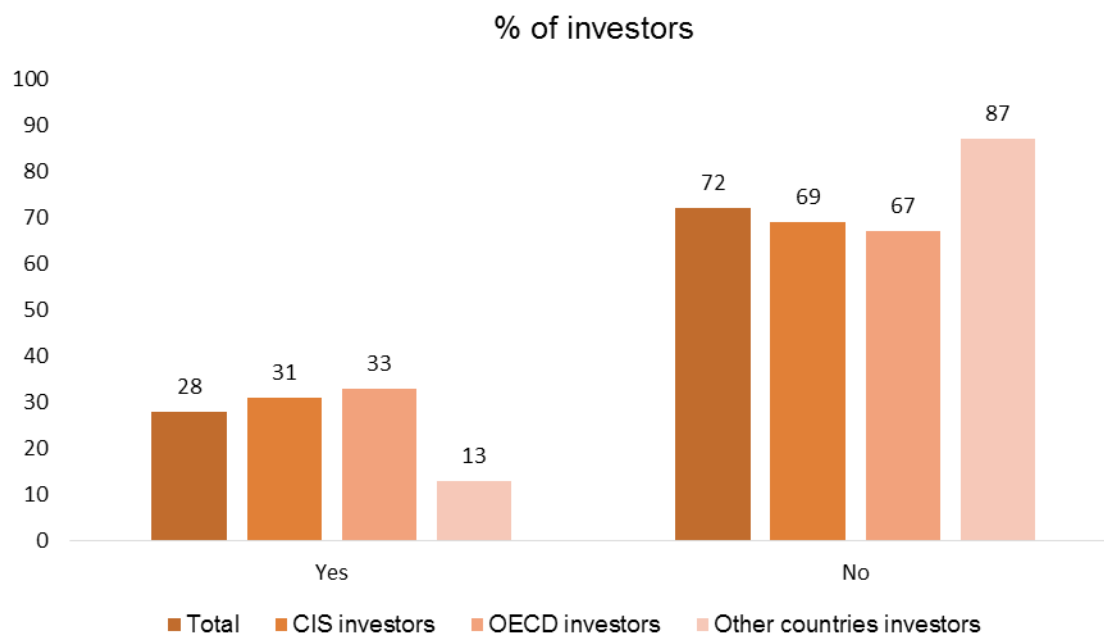


TABLE 12. EASY ACCESS TO INFORMATION

	Easy	Moderate	Difficult
1. Legislation related to currency conversion and transfer	81%	15%	4%
2. Legislation on expropriation	50%	34%	16%
3. Legislation regulating grievance mechanisms	36%	27%	30%

When drafting new laws and regulations related to investors, the majority of state authorities do not carry out consultations with the investors, in the opinion of 71% of the companies. Investors from the CIS and OECD groups of countries, over 30%, are more active in lobbying their positions with respect to amendments to the effective laws.

FIGURE 33. DID THE REPRESENTATIVES OF THE STATE AUTHORITIES CONSULT YOU WHILE DRAFTING NEW LAWS AND REGULATIONS OR AMENDMENTS?



## CHAPTER 4 – INVESTMENT INCENTIVES

The foreign investors who participated in the survey were not well-informed about the investment incentives granted by the Kyrgyz Republic. Some 51 of the investors know about tax incentives granted in the country.

Investment incentives can be defined as 'measurable economic advantages that governments provide to specific enterprises or groups of enterprises, with the goal of steering investment into favored sectors or regions or of influencing the character of such investments. These benefits can be fiscal (as with tax concessions) or non-fiscal (as with grants, loans, or rebates to support business development or enhance competitiveness).

The broad definition of 'investment incentives' suggests that a very large number of different investment incentives exist, such as derogations from fiscal policies, grants, soft loans, access to free or subsidized land, support in training and employment, infrastructure subsidies and ad hoc exceptions. The range of possible investment incentives offered to investors is potentially unlimited.

According to the investors, the following types of incentives are granted in the Kyrgyz Republic:

- a) discounted direct corporate taxation (tax exemptions, special investment zones with especially attractive tax regimes);
- b) incentives for the formation of equity/capital such as tax incentives for investments, tax loans for investments and re-invested profit (accelerated depreciation);
- c) reduced barriers in cross-border operations (withholding taxes, foreign trade tax regime, taxation of employees), i.e., facilitation of tax payments in cross-border transactions;
- d) other tax incentives such as lower sales tax, VAT incentives, property tax benefits and single-time tax discounts/payments (including input VAT exemption).

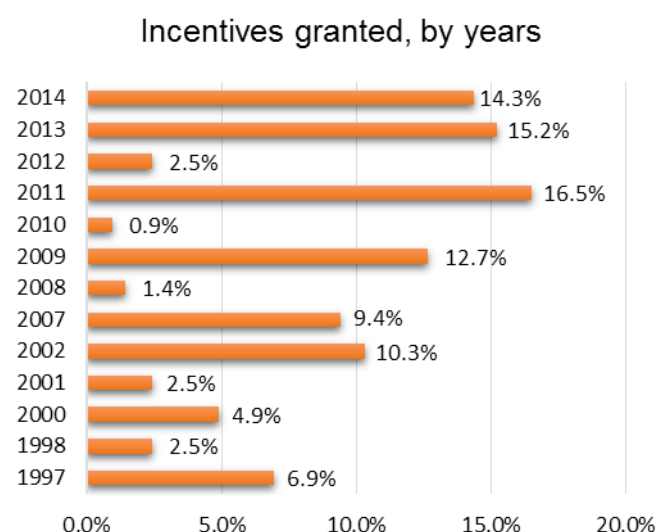
Of the total number of companies that were informed about the tax incentives in the Kyrgyz Republic, 39 companies (37%) applied to the state authorities to receive the incentives; twenty of these companies were owned by investors from OECD countries.

Virtually all companies (95%) received the incentives they applied for. Only two companies were refused a decrease in the direct corporate tax regime and incentives for the formation of capital, such as tax incentives for investments, tax loans for investments and re-invested profit.

The investors most often apply for sales tax, VAT and property tax incentives and single-time tax discounts/payments.

The majority of companies (48%) received incentives during 2010-2014. Prior to 2002, 27% of the companies received incentives; prior to 2010, 24% of the companies were granted the incentives.

FIGURE 34. GRANTING INCENTIVES, BY YEARS



The highest amount of tax incentives received by the companies was USD one million per year. The average amount of incentives to a single company did not exceed USD40,000 – USD60,000 per year.

The majority of foreign investors (87%) think that they would continue investing in the country should no tax incentives be granted. However, some 13% of the companies would reconsider their decision to invest due, inter alia, to no VAT and sales tax incentives.

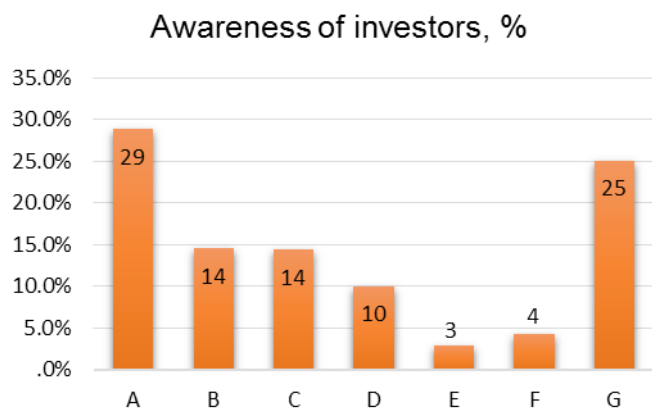
The foreign investors are less aware of non-tax incentives effective in the country: only 26 of the companies know about non-tax incentives.

According to the investors, the following types of non-tax incentives are granted in the Kyrgyz Republic (Figure 35):

- a) direct grants and schemes of joint spending (monetary grants, share subsidies, co-financing options, participation in shareholding by the public sector, subsidized insurance);
- b) credit tools and guarantees (decreased interest rates, preferential loans, credit guarantees);
- c) decreased market costs, or allocation of land (public land or buildings sold to the investors at a lower than market price or given free of charge);
- d) decreased cost of raw materials and equipment supplied by a state-owned company, such as preferential utilities and transportation tariffs;
- e) training/incentives for personnel hiring;
- f) R&D subsidies;
- g) regulatory incentives, such as decreased payments for public services.

Of the above, the best known are a) direct grants and joint spending schemes (monetary grants, share subsidies, co-financing options, participation in shareholding by the public sector), and b) regulatory incentives (for instance, reduced payments for public services).

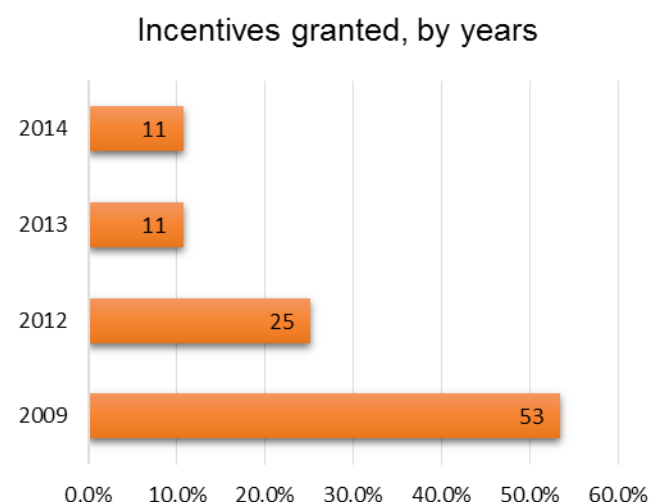
FIGURE 35. AWARENESS OF NON-TAX INCENTIVES, %



Of 52 companies informed about non-tax incentives, 13 companies applied for the benefits, of which seven applied for normative incentives, two for credit tools and guarantees, and two for reduced market costs or allocations of land.

Eleven companies (85%) were granted the incentives. Two companies were refused the regulatory incentives. The majority of the companies (53%) were granted the incentives in 2009.

FIGURE 36. NON-TAX INCENTIVES GRANTED, BY YEARS, %



The average amount of non-tax benefit has been USD1500 per company per year. The maximum amount has been less than USD2500 per year.

All foreign investors would continue investing in the country, even in the absence of non-tax incentives.

The majority of the investors (48%) received the investment incentives automatically. A third of the companies applied to one state body for the incentives. The remaining companies had to apply to two or three state authorities for the incentives. These companies gave a negative evaluation of the level of coordination among state bodies. Detailed information is provided in Table 13 below.

TABLE 13. EVALUATION OF PERFORMANCE OF STATE AUTHORITIES

Activity	Good	Fair	Poor
1. Information exchange	6%	27%	67%
2. Monitoring	7%	31%	62%
3. Reporting	38%	16%	46%

The average time period for a review of applications for investment incentives is 35 days, with a maximum of 132 days. The applicant companies had no official or additional expenses related to the granting of incentives.

The allocation of one employee is adequate for the preparation of an application and the procedure for the receipt of the investment incentives. Rarely, two employees may be involved. The procedure takes from three to 30 days, and the average wage of the employee is USD285.

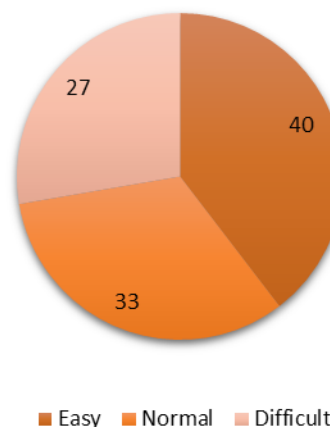
The investors believe that there is no discrimination in the granting of investment incentives. All applicants are on an equal footing.

According to 39% of the investors, the Tax Code is the main source of information about investment incentives. The remaining investors receive information through the relevant state authorities (State Tax Service and State Customs Service).

No clear response has been received about the level of access to the information, procedure and mechanism for investment incentives. The opinions of investors were divided proportionally.

FIGURE 37. LEVEL OF ACCESS TO INFORMATION ON INCENTIVES, %

### Easyness to get information

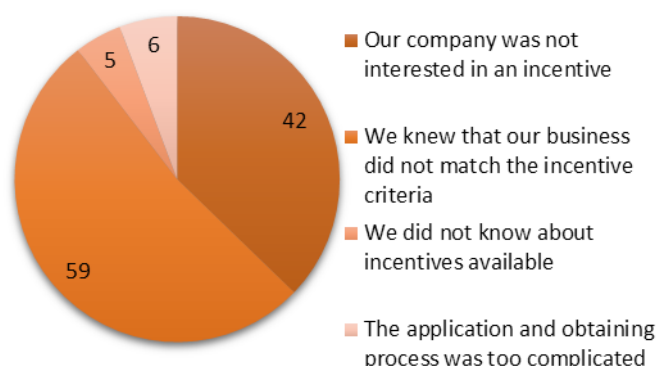


Some 54% of the investors think that the quality of the information about the existing incentives is satisfactory. In the opinion of 31% of the investors it is good; these are the investors mainly from the group of Other countries. Some 15% of the investors give a negative evaluation of the quality of this information.

The main reason for not filing an application for investment incentives has been the failure on the part of investors to meet the investment incentives criteria.

FIGURE 38. REASONS FOR NOT APPLYING FOR INVESTMENT INCENTIVES

### Reasons for not applying



## CHAPTER 5 – MARKET EXIT

The legislation of the Kyrgyz Republic specifies the following stages of business closure in the Kyrgyz Republic:

Making decision on liquidation/closure	First, a body authorized by the law or constituent documents (for example, a general meeting of members of a limited liability company or its sole participant) makes a decision on liquidation. This decision should also consider the matters of appointment and the composition of a liquidation commission, with the liquidation procedures and timeframe determined.
Notifying a judicial body of the decision	The legal entity shall notify the Ministry of Justice in writing within three (3) business days from the day of the decision to terminate activities and liquidate the business. The notification on deregistration should be accompanied by a copy of the decision (of a legal entity or court) on termination and the appointment of the liquidation commission.
Notifying a tax body of the decision	A taxpayer who decided to terminate his activities shall file an application on cancellation of tax/record registration of the legal entity/individual, deliver tax reporting and the remainders of unused VAT invoices (if he is registered as a VAT payer) to the tax body at the place of tax registration and/or record registration within 30 days from the day of making a respective decision. Tax bodies shall undertake field tax inspection to verify the accuracy of computation and timeliness of transfer of tax and other mandatory budget payments. In the event of arrears, the tax payer shall recover all taxes due to the budget. In practice, the inspection may take from ten to thirty days.
Preparing the interim liquidation balance sheet and liquidation tax reporting	After the end of the period for sending claims by creditors, the liquidation commission shall prepare an interim liquidation balance sheet, which includes data on assets of the legal entity to be liquidated, a list of claims submitted by creditors, and the results of their examination. The interim liquidation balance sheet is to be approved by an owner of the legal entity's assets or a body who made the decision to liquidate.
Preparing the liquidation balance	Upon completion of settlements with creditors, the liquidation commission prepares the liquidation balance, to be approved by an owner of the legal entity's assets or a body who made the decision to liquidate.
Getting statement of no social insurance debts due	Upon termination of activity (liquidation) a tax payer shall approach a territorial body (unit-division) of the Social Fund of the Kyrgyz Republic within 30 days from the day of making the decision, in order to obtain a statement of no social security payments due to the Social Fund. Based on an application and completed reporting form, the territorial division of the Social Fund checks the accuracy and timeliness of payments of all social contributions. Under the KR Law "On Tariffs of Social Security Contributions for State Social Security" dated January 24, 2004, if no debts exist, the statement will be issued in one business day.

Closure of bank accounts	<p>Bank account closure is done by a bank upon application from a client at any time. The procedure for bank account closure is specified by the framework Law On the Banking System of the KR and the bank's rules.</p> <p>Moreover, the bank's statement to confirm closure of all accounts should be received by all registered and operating banks in the Kyrgyz Republic (24 banks as of 2014).</p>
Central archive	The Central Archive will issue the document "Findings of Kyrgyz Archive" on the relocation of the documents of the legal entity to be liquidated. Documents will be reviewed within up to two business days.
Destroying seals and stamps	If all required documents are submitted (copies of statutory documents, documents on personnel appointments and payroll sheets), an official stamp and seal shall be delivered to the territorial division of internal affairs, where the internal affairs body shall record on the application that all stamps and seals have been handed over.

The following documents should be submitted to the judicial bodies to close a company under Art. 13 of Law No. 57 "On State Registration of Legal Entities, Branches (Representative Offices)", dated February 20, 2009.

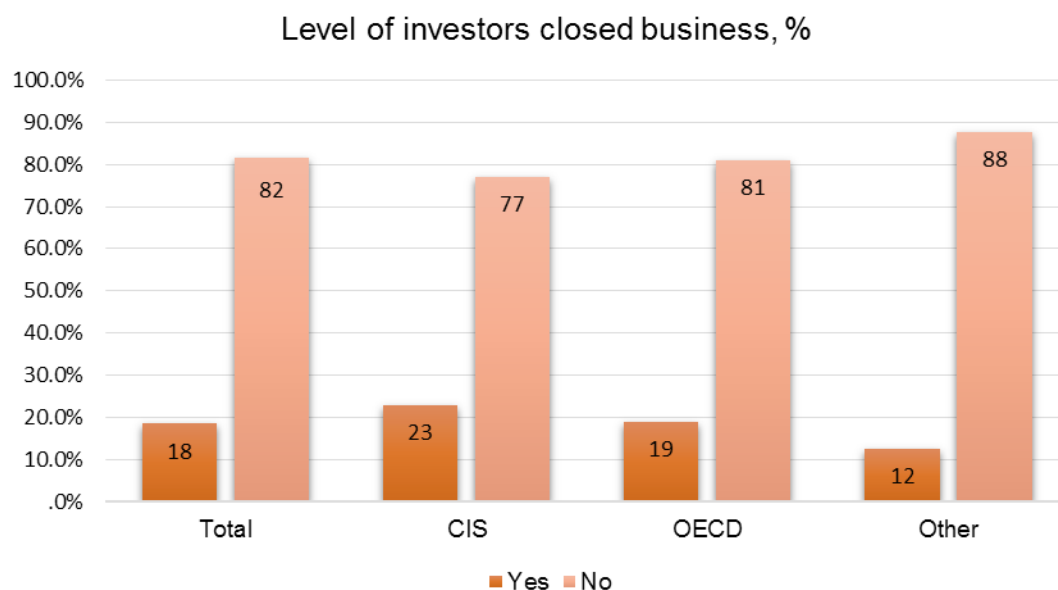
1. The application for registration under the form approved by the Government;
2. The resolution of the authorized body of a legal entity or a court to liquidate the legal entity and select/appoint a liquidation commission (liquidator);
3. A copy of the certificate of state registration (re-registration) of the legal entity;
4. A copy of Figurer (for finance and credit institutions and not-for-profit organizations);
5. A copy of statement of no social security payments due to the Social Fund;
6. A copy of statement of no tax due to the tax body;
7. A statement from a closed bank account(s) of the legal entity;
8. A statement from the internal affairs body on handing over of stamp and seal (if any);
9. A decision on approval of the liquidation balance;
10. Liquidation balance with the note on its approval by the tax body;
11. Findings of the State Archive Fund on a place of storage of archive documents of the legal entity to be liquidated;
12. Receipt on payment of the registration fee.

The timeframe for collection of the required documents is 60 to 90 days. Then the documents should be handed to the Ministry of Justice. The Ministry of Justice will process the application for termination of the legal entity within seven (7) business days. The registration fee is KGS 192 (about USD3.90).

## OPERATING INVESTORS

Some 18% of the operating companies surveyed had to close a company with foreign investment capital in the Kyrgyz Republic. A higher percentage of CIS investors (23%) terminated businesses in the country.

FIGURE 39. HAVE YOU EVER CLOSED A COMPANY WITH FOREIGN PARTICIPATION (ACTING AS A FOREIGN INVESTOR) IN THE KR? (% OF INVESTORS)



A sizeable number of investors (43%) who had to close a business reported that it was difficult to get complete and accurate information about requirements for closure of a business. Specifically, such information was difficult to obtain for investors from the Other countries group (62). Detailed data on the groups of countries is illustrated in Table 14 below.

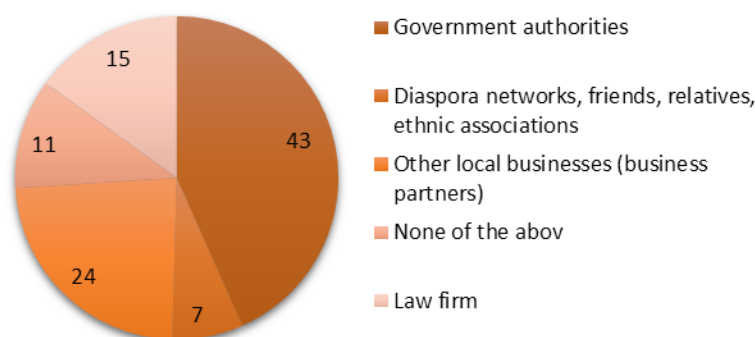
TABLE 14. HOW EASY IT WAS TO GET COMPLETE AND ACCURATE INFORMATION ABOUT THE FOLLOWING REQUIREMENTS FOR BUSINESS CLOSURE?

	Countries			Total
	CIS	OECD	Other	
	%	%	%	%
Very easy	0	14	0	5
Moderately easy	29	27	7	24
Easy	37	21	22	27
Moderately difficult	34	18	62	30
Very difficult	0	19	9	13

The key sources of information about closure of business for foreign investors are the Ministry of Justice (65%) and the State Tax Service (35%). Some 47% of investors from CIS countries preferred to address to business partners, and 53% of investors of “Other countries” group approached law firms.

FIGURE 40. KEY SOURCE OF INFORMATION ABOUT CLOSURE OF BUSINESS, %

#### Source of information, % of cases



Over half of investors closed their businesses by themselves (57%); the rest sought help from law firms. All investors from the Other countries engaged the services of law firms.

TABLE 15. METHOD USED FOR CLOSURE OF BUSINESS

	Countries			Total
	CIS	OECD	Other	
	%	%	%	%
Dealt with closure by themselves	62	74	0	57
Engaged a law firm	37	26	100	43
Other	0	0	0	0

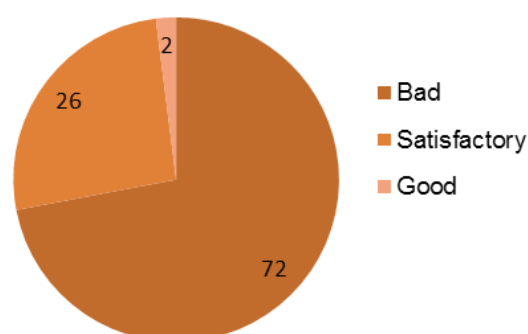
It takes on average up to two (2) months to close a business. The minimum period is 14 days, and the maximum time is less than one year.

On average, investors had to visit from four to six ministries to close a business. The lengthiest and most challenging process of interaction has been reported with the State Tax Service; 95% of investors mentioned this challenge.

Investors gave a negative assessment to coordination of the business closure procedure among the government bodies (72%).

FIGURE 41. ASSESSMENT OF COORDINATION OF THE PROCEDURE FOR BUSINESS CLOSURE AMONG THE STATE AUTHORITIES

#### Assessment of level of coordination among agencies, % of investors

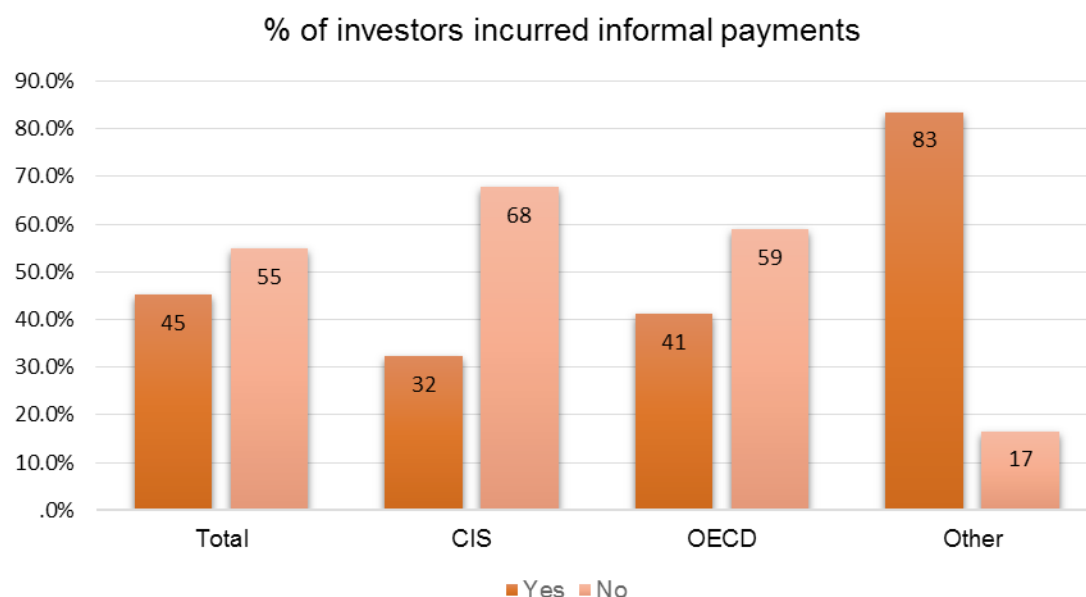


The companies paid on average from USD200 to USD500 for all procedures associated with a company/business closure, including formal charges (payments, formal fees and other official payments); expenses for hiring lawyers, consultants, and trip expenses required for closing the company/business, including any informal payments. The maximum amount of expenses was as high as USD10,000.

The companies hold the view that the closure of the business is accompanied by informal payments. 45.2% of investors incurred informal expenses to close the business, specifically, investors of Other countries pointed to this fact (83.4%).



FIGURE 42. INFORMAL PAYMENTS RELATED TO CLOSURE OF BUSINESS, %



One to two employees worked at companies that handled the closure of business by themselves. They spent one to two months for the preparation of documents (maximum – two years). The average salary of an employee was USD300 – USD400. Therefore, on average, total costs amount to USD300 – USD800, with the maximum cost reaching USD4,500 – USD10 thousand.

## NON-OPERATING COMPANIES

Key factors for non-operating company respondents, when making the decision to terminate a business, were the following:

1. Unprofitability
2. Corruption
3. Poor transparency and predictability of the State's actions
4. Public order or security
5. Personal motives

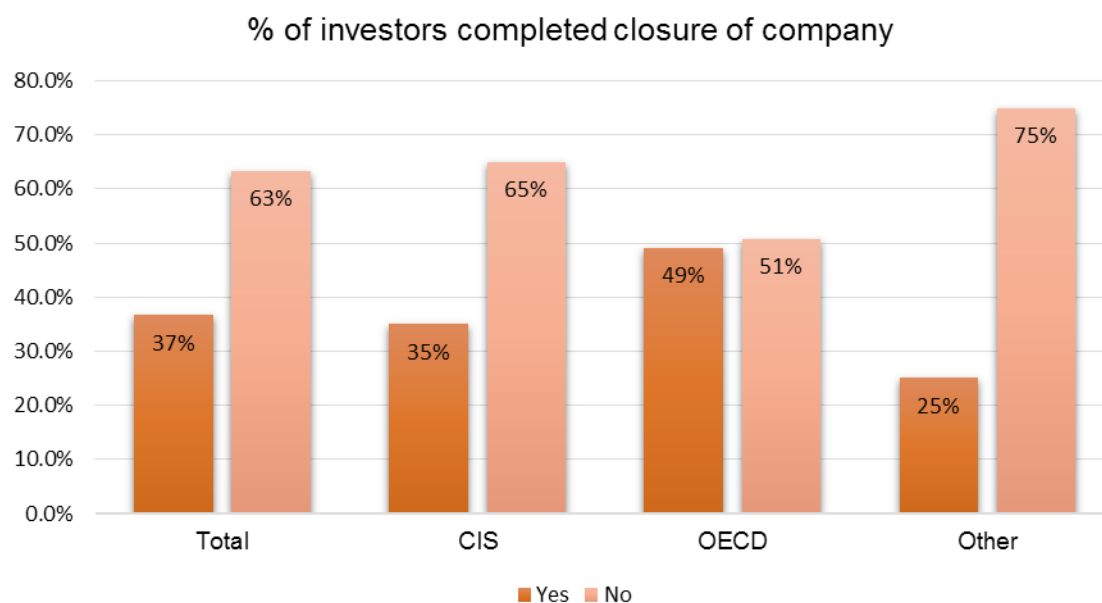
More detailed information is shown in Table 16 below.

TABLE 16. FACTORS IN DECISION-MAKING ON CLOSURE OR SUSPENSION OF BUSINESS, BY DEGREE OF SIGNIFICANCE

		No answer	Not important	Fair	Important
1	Unprofitability of business	10%	50%	6%	34%
2	Corruption	3%	51%	13%	33%
3	Poor transparency and predictability of the State's actions	2%	64%	10%	24%
4	Ensuring law and order or security	2%	61%	14%	23%
5	Personal motives	81%	0%	0%	19%
6	Business-related procedures	3%	68%	11%	18%
7	Risks of expropriation, confiscation or other actions that affect total investment cost	4%	74%	8%	14%
8	Foreign ownership constraints	4%	78%	4%	14%
9	Other	87%	0%	0%	13%
10	Visa restrictions for foreign employees	5%	80%	3%	12%
11	Land ownership restrictions	7%	80%	5%	7%
12	Restrictions / procedures for currency conversion	6%	85%	2%	7%

At the time of survey, only 37% of foreign investors had completed the procedure for company closure, and 49% of these were represented by investors from OECD countries. The answers of the non-operating investors to the question "Have you completed the procedure for company closure" are given below (Figure 40).

FIGURE 43. COMPLETION OF PROCEDURE FOR COMPANY CLOSURE



Investors believe that it is easy to get complete and accurate information about the requirements for business closure (47%). Some 33% of investors did not face issues in getting information, and for 41% of investors of 'Other' countries, such information was difficult to obtain.

TABLE 17. ACCESS TO INFORMATION ABOUT REQUIREMENTS FOR BUSINESS CLOSURE

	Countries			Total
	CIS	OECD	Other	
	%	%	%	
Very easy	9	15	0	10
Moderately easy	50	16	48	37
Good	32	45	11	33
Moderately difficult	0	8	0	3
Very difficult	9	16	41	17

The key sources of information about the closure of business for foreign investors are the government bodies (63%). Investors from OECD countries approach law firms, and investors from CIS countries approach business partners. Among government bodies, the State Tax Service (68%) and the Ministry of Justice (31%) are the most sought-after sources of information.

TABLE 18. KEY SOURCES OF INFORMATION ABOUT THE CLOSURE OF BUSINESS

	Countries			Total
	CIS	OECD	Other	
	%	%	%	
State authorities	63	58	89	63
Diaspora, relatives, ethnic unions, etc.	8	0	0	3
Other local companies (business partners)	12	8	0	11
None of the above	0	0	0	0
Law firm	17	34	11	22

Most of investors terminated their business by themselves (69%); 24% of companies went to law firms for help. Some 3% of companies were closed by court. Detailed information by groups of countries is presented in Table 19 below.

TABLE 19. METHOD EMPLOYED FOR CLOSURE OF BUSINESS

	Countries			Total
	CIS	OECD	Other	
	%	%	%	
Dealt with closure by themselves	61	75	65	69
Addressed a law firm	20	25	35	24
Friends	15	0	0	7
Court	3	0	0	1

The average period for a business closure is from 44 to 88 days. The minimum period is 14 days, the maximum 252 days.

Three to four government bodies are involved into a business closure procedure. The maximum number of bodies involved is ten.

Interaction with the State Tax Service, Ministry of Justice and the Ministry of Foreign Affairs takes the longest time. The State Tax Service operates slowly, and the most complicated interaction is reported with the Ministry of Justice.

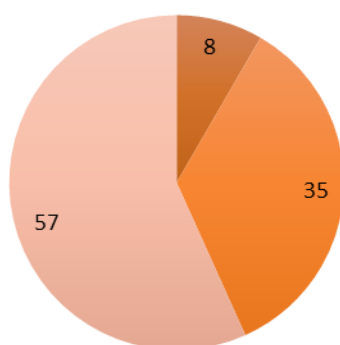
TABLE 20. LANGUISHING GOVERNMENT BODY

	Countries			Total
	CIS	OECD	Other	
	%	%	%	
Ministry of Justice	18	80	0	37
STS	50	0	100	41
Equally (?)	13	20	0	12
Ministry of Foreign Affairs	18	0	0	10

Investors gave a negative assessment to the level of coordination among the government bodies during the business closure procedure (57%), with the majority of investors of OECD group of countries holding the view that the coordination is satisfactory (62%). All investors from Other countries believe that coordination is poor.

FIGURE 44. ASSESSMENT OF COORDINATION AMONG STATE AUTHORITIES, %

#### Level of coordination



■ Good ■ Satisfactory ■ Bad

In total, the companies paid from USD200 to USD300 for all procedures associated with a company/business closure, including formal charges (payments, formal fees and other official payments); and the expenses of lawyers, consultants, and travel required for the closure of a company/business, including any informal payments. The maximum amount was USD12,000.

Most of the investors (73%) report that no informal payments associated with business closure took place. This opinion is shared by OECD investors (95%) and CIS investors (68%). Sixty-five percent of investors of Other countries, however, incurred additional costs related to informal payments.

If an owner closes a business by himself, in most cases one person was handling this task, and sometimes, two people. A 22-day period was the average work time spent by employees for processing required documents and attending meetings and sessions to discuss business closure matters. The maximum period was 252 days. The average monthly salary of staff engaged in company/business closure was USD200 – USD300. Therefore, the average expense of the owner closing a business himself was USD200 – USD300. The maximum expense came to USD1,000 – USD1,500.

## CHAPTER 6 – DEMOGRAPHICS OF THE INVESTORS PARTICIPATING IN THE SURVEY

### OPERATING COMPANIES

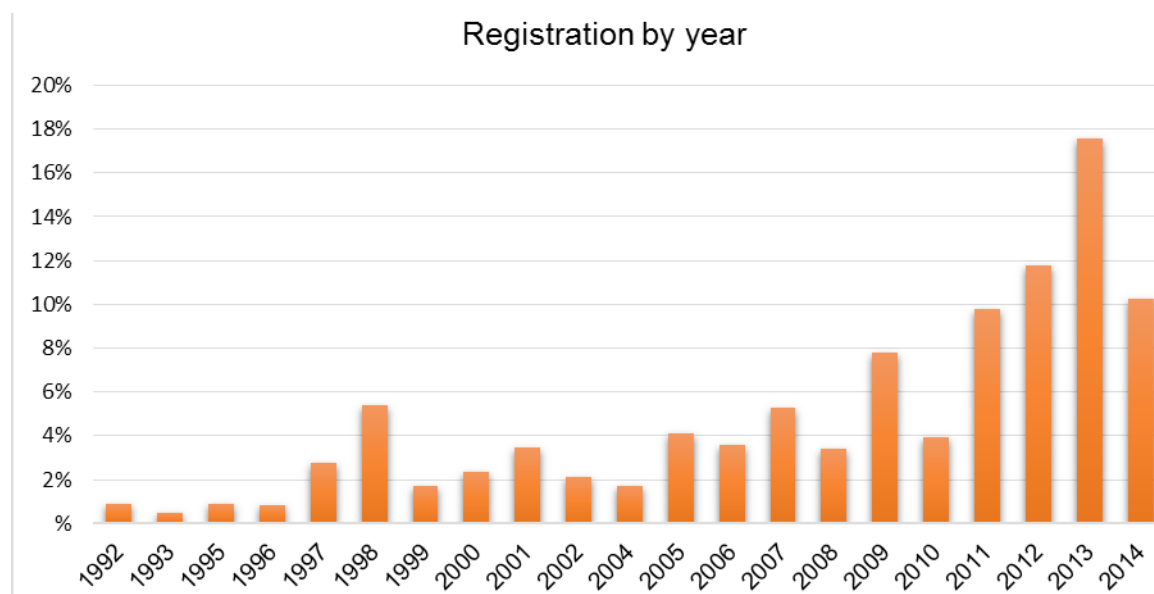
Two hundred one operating companies with foreign participatory interest/share in the charter capital took part in the survey. Eighty-nine of these are fully owned by the foreign investors and in 69 companies the foreign participatory interest/share in the charter capital exceeds 50%.

TABLE 21. SHARE OF FOREIGN CAPITAL

Share	Groups of countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
Less than 25%	2%	3	5%	5	11%	6	4%	14
25-49%	11%	7	7%	5	5%	4	10%	19
50-74%	35%	25	16%	11	19%	6	25%	46
75-99%	14%	8	14%	9	15%	5	14%	23
100%	38%	25	58%	41	51%	17	47%	89

The majority of companies participating in the survey are “young”, having been registered within the last four years. For instance, 107 companies were registered during 2010-2014; 58 companies during 2005-2009, and 35 companies before 2005.

FIGURE 45. REGISTRATION OF COMPANIES, BREAKDOWN BY YEAR



The highest number of enterprises are small businesses; their share in the survey was 84%. The share of medium sized businesses in the survey was 10% and large businesses comprised 6%. The breakdown by country groups is presented in Table 22.

TABLE 22. SIZE OF COMPANIES, BY NUMBER OF EMPLOYEES

	Groups of countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
Micro business (1-9 employees)	53%	37	40%	28	46%	19	43%	87
Small business (10-49)	30%	22	47%	35	38%	12	41%	76
Medium business (50-249)	15%	10	2%	3	14%	9	10%	26
Large business (250 and over)	2%	1	12%	6	1%	1	6%	9

The companies with investment volumes of up to USD500 000 comprise 59%; of up to USD5 million, 27% and over USD5 million, 14%. The large companies are concentrated in Bishkek City; small and medium companies operate more in Chui region. A detailed breakdown by groups of countries is presented in Table 23 below.

TABLE 23. SIZE OF COMPANIES BY VOLUME OF INVESTMENTS

	Groups of countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
Up to 100 000	414%	24	32%	19	20%	11	33%	58
From 100 000 up to 500 000	24%	15	26%	19	31%	11	26%	48
From 500 000 up to 1 million	8%	5	8%	9	13%	4	9%	22
From 1 million up to 5 million	16%	11	13%	13	28%	9	18%	36
From 5 million up to 10 million	1%	2	7%	3	0%	0	3%	5
10 million and over	10%	5	14%	9	9%	4	11%	19

Thirty-nine investing countries from various groups have been identified; of these, five countries are major investors in the Kyrgyz Republic.

TABLE 24. INVESTING COUNTRIES

	General volume		Region			
			Chui		Bishkek	
	%	Number	%	Number	%	Number
Kazakhstan	22%	39	11%	5	23%	34
Russia	16%	36	30%	14	15%	22
Turkey	15%	35	10%	5	16%	30
China	13%	33	24%	11	12%	22
Switzerland	5%	10	0%	0	6%	10

The most popular sectors for investments are “retail and wholesale trade”, and “car, household appliances and personal items repair”, where 31% of the companies are concentrated. Eighteen percent of the companies operate in the processing industry; and 15% of the companies work in the area of “real estate transactions, rent and lease and other services rendered by the companies”. The investors from the OECD group of countries favor the processing (22%) and construction (19%) industries, while investors from the CIS countries are more interested in wholesale and retail trade (41%). The investors from Other countries (over 45%) are also interested in the wholesale and retail trade.

The share of profitable companies that took part in the survey has decreased significantly during the last three years: in 2011, 62% were profitable companies, whereas in 2013 it was 56%. At the same time, the share of loss-making companies has increased from 24% in 2011 to 31% in 2013. The share of zero-profit companies has remained virtually unchanged, about 12%.

FIGURE 46. THE CURRENT DOMAIN OF INVESTMENT ACTIVITY IN THE KYRGYZ REPUBLIC

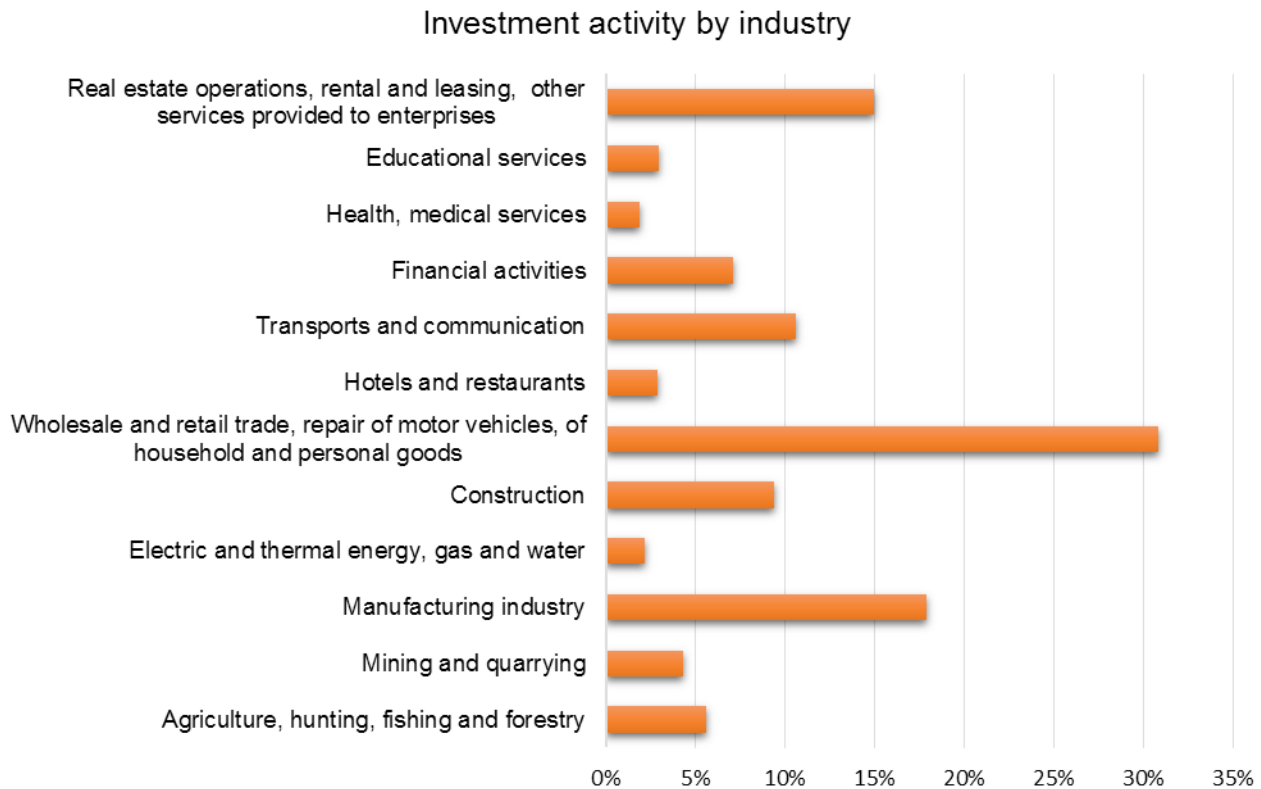


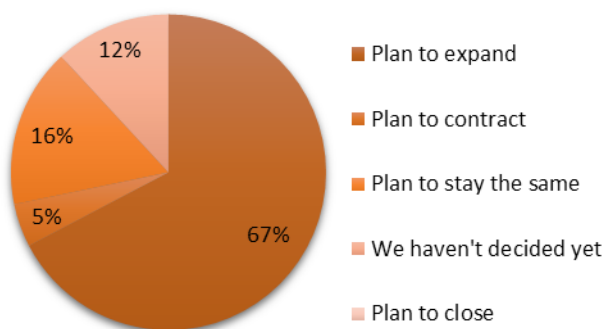
TABLE 25. PROFITABILITY OF COMPANIES FROM 2011 - 2013

		Countries						Total	
		CIS		OECD		Other			
		%	Number	%	Number	%	Number	%	Number
2013	Losses	34%	22	39%	24	19%	9	31%	56
	Zero profit	8%	7	10%	8	20%	6	12%	25
	Profit	58%	33	51%	29	62%	18	56%	88
2012	Losses	22%	10	40%	18	20%	9	27%	37
	Zero profit	12%	4	11%	7	25%	6	13%	17
	Profit	67%	35	49%	22	55%	15	61%	82
2011	Losses	26%	9	28%	12	25%	8	24%	29
	Zero profit	5%	2	16%	8	17%	3	15%	16
	Profit	70%	32	56%	21	59%	13	62%	73

Despite the decrease in the number of profitable companies, the majority of companies (67%) plan to expand their operations within the next three years; 16% of the companies will retain the current level and only 5% of the companies are considering a decrease in their operations. None of these companies plan to close down in the near future.

FIGURE 47. PLANS FOR THE NEXT THREE YEARS

### Future of business for next years





## NON-OPERATING COMPANIES

One hundred three non-operating companies that have terminated or are in the process of terminating their operations in the Kyrgyz Republic took part in the survey. Of these, 17 have up to 50% foreign ownership; 52 companies have foreign ownership of over 50%; and 24 companies are fully owned by the foreign entities. Ten companies did not disclose the foreign ownership in their capital.

TABLE 26. FOREIGN CAPITAL SHARE

Share	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
Less than 25%	4%	2	10%	4	0%	0	5%	6
25-49%	15%	5	7%	2	9%	2	12%	11
50-74%	38%	14	44%	13	53%	11	43%	40
75-99%	15%	5	10%	3	16%	3	14%	12
100%	29%	10	30%	10	23%	4	27%	24

The main investing countries are Kazakhstan – 20% , Russia – 17%, China – 14%, Turkey – 10%, Korea – 7%, Germany – 5%, the rest – 27%.

TABLE 27. INVESTING COUNTRIES

TOP 4	Total		Region			
			Chui		Bishkek	
	%	Number	%	Number	%	Number
Kazakhstan	20%	21	26%	3	20%	18
Russia	17%	17	19%	2	17%	15
China	14%	14	13%	1	14%	13
Turkey	10%	11	14%	2	10%	9

The majority of companies (32%) were opened during 2003-2009; 31% of these companies were registered during 2010-2014. During 1993-1997, 18% of companies were opened and during 1998 – 2003, 20%. The highest number of company closures (60%) was observed during 2010 – 2014 due to the political events in April and June, 2010, and the entry into force of the Customs Union Agreement among Russia, Kazakhstan and Belarus in 2011. During the period from 2003 till 2009 25% of companies were closed down; during 1998 – 2003 and 1993 – 1998, 11% and 5%, respectively. The average duration of company operations in the Kyrgyz Republic is two to three years. 64% of the companies worked less than three years; 22%, from three to seven years and 14% from seven to 15 years.

FIGURE 48. OPENING AND CLOSURE OF COMPANIES



The average volume of investments in a company comprises up to USD100,000 (78% of companies); 13% of the companies received investments up to USD500,000; 2%, up to USD 1 million,

and 7%, up to USD 5 million. A detailed breakdown by groups of countries is presented in Table 28 below.

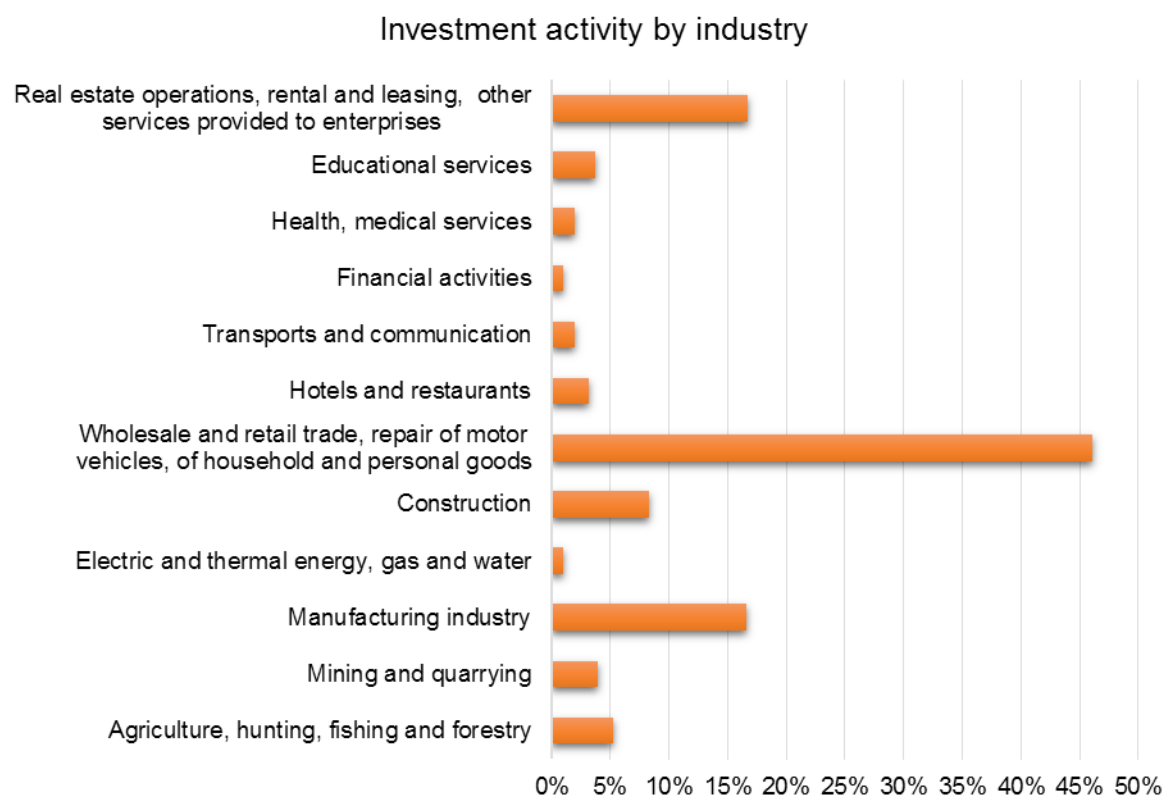
TABLE 28. TOTAL COST OF INVESTMENTS IN A COMPANY

In USD	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
Up to 100 000	90%	32	73%	21	67%	11	78%	67
From 100 000 up to 500 000	6%	2	16%	5	20%	3	13%	11
From 500 000 up to 1 million	0%	0	4%	1	4%	1	2%	2
From 1 million up to 5 million	5%	2	8%	2	9%	2	7%	7

The major areas of activities of the investors who exited the country were wholesale and retail trade (46%), the processing industry (17%), and transactions with real estate, rent and lease, and other services rendered by companies (17%). Analyzing the interests by the groups of countries, it is noted that the CIS

investors invested in the wholesale and retail trade area (62%), the OECD investors in the transactions with real estate, rent and lease, and the processing industry (31% and 30%, respectively). The investors from Other countries were represented in the wholesale and retail trade area (50%) and the processing industry (23%).

FIGURE 49. SECTORS FOR INVESTING



The majority of companies (80%) that terminated their activities in the country were oriented toward domestic market sales; twenty percent of the companies produced goods for export.

The investors from the OECD group of countries and the Other countries group were interested more in the export-oriented enterprises, comprising 27% and 25%, respectively.

In USD	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
Sales in the domestic market	88%	36	73%	25	75%	17	80%	82
Export	12%	5	27%	9	25%	6	20%	21



# ANNEXES

## ANNEX 1: SURVEY METHODOLOGY

### OBJECTIVE AND GOALS OF SURVEY

The objective of this study was to evaluate the investment policy of the KR Government by collecting data from foreign investors about the strengths and weaknesses of the Kyrgyz Republic's investment policy, in particular about the following aspects (operating performance): choice of a country for investing, market entry, doing business, investment privileges and protection of investors' rights and assurance.

To achieve the tasks of this study the following were carried out:

- Reasons for choosing a country for investing were identified;
- Specifics of doing business in a country were determined, including strengths and weaknesses;
- The level of awareness and use of an investment incentives system was evaluated;
- Relationships with the government bodies were examined;
- The level of awareness about protection of investors' rights was assessed;
- The reasons for closure/expansion of a business were identified.

### Positive Outcomes of Study

Data derived during this study was laid down as the basis for the report "Monitoring and Evaluation of the Investment Climate in the Kyrgyz Republic" and drafting recommendations for further steps to be taken.

### Questionnaire

Key tools for the survey were two questionnaires composed in Kyrgyz, Russian and English. The average duration of one survey of an operating investor was 50 minutes, and 20 minutes for investors, who had withdrawn.

### Interviewers

To streamline field work for the recruiting of respondents, a call-center was arranged composed of a team leader and six operators.

Call-center employees located at the work place had internet access and mobile communication. In addition, the call-center used databases of Kyrgyztelecom customers and the Rebikon company. For the purpose of the search for respondents, directory inquiry services were used.

### Monitoring of Interviewers

Interviewers were monitored through 1) regular monitoring by phone interview (10% or more of the scope of work of each interviewer); 2) monitoring of the use of the contacts data base; 3) monitoring of the interview using a coder to check the questionnaire (recheck of missing data); 4) monitoring of answer quality (recheck of inconsistent information). We note that supervisors placed the main focus on a survey of face-to-face interviews with entrepreneurs.

Detailed guidelines were elaborated for interviewers and call-center operators. For the work at the call-center we selected employees with experience and search skills, communication skills, and persuasiveness: the ability to persuade a potential respondent to participate in the survey.

## Basic information about this study

Methods	Formalized on-site face-to-face interview with respondents, with prior arrangement by phone.
Geography	Companies working in Bishkek City and Chui province were surveyed.
Target Groups	The target group of the study included current and former foreign investors and managers or informed employees of companies with foreign investments of all sizes (micro, small-sized, mid-sized and large-sized), which are both private and state-owned, except for agricultural and forestry enterprises and banks.
Sampling	<ul style="list-style-type: none"> <li>• 201 operating companies;</li> <li>• 103 non-operating companies (liquidated, suspended, operating enterprises with outflow of invested foreign funds).</li> </ul>
Respondents	Respondents included directors of enterprises or their deputies, and individual entrepreneurs. During the survey, other employees of companies were allowed to be involved to cover specific matters that fall under their immediate competence (e.g., Chief Accountant).
Reporting Period	2014.
Field Works	The survey was conducted from February 11 to August 21, 2014.
Total Population	<p>The total population was formed from the following three sources of data:</p> <ol style="list-style-type: none"> <li>1. Companies that provide reports to the National Statistics Committee (NSC) under 1. Invest form [unclear; "investment form?"] (the list was provided by the NSC)</li> <li>2. Foreign-invested companies</li> <li>3. Companies registered before April 1, 2014 as foreign-invested companies (the list was provided by the NSC)</li> </ol>
Sampling	<p>To perform this study a disproportionately stratified sample was used. Stratification was done according to the following features:</p> <ul style="list-style-type: none"> <li>• Region (Chui province, Bishkek City)</li> <li>• Type of activity</li> </ul>
Feedback Ratio	Operating companies – 14.5%, Non-operating companies – 4.9%.
Cooperation Ratio	Operating companies – 54.5%, Non-operating companies – 60.4%.
Rejection Ratio	Operating companies – 37.3%, Non-operating companies – 31.5%.
Contacts Ratio	<p>During this survey with 3538 enterprises out of 5048 of enterprises in the total population, 12895 attempts to reach respondents were carried out.</p> <p>Operating companies – 39.3%, Non-operating companies – 12.4%.</p>

## Calculation of average weighted values

To adjust the sampling structure with the target group structures, the average weighted values were calculated. Upon completion of field work, weight ratios were calculated. For this purpose, the adjustment of total population was made: the total population of operating and non-operating companies was adjusted as a proportion of non-operating companies in the sampling of operating companies and the share of operating companies in the sampling of non-operating companies. The distribution of the total population and the sampling of the study is presented on Table 30.

TABLE 30: SAMPLING DISTRIBUTION, IN PERCENTAGE

	Agriculture	Construction	Mining and Processing	Services	Trade	Total
<b>Operating companies</b>						
Chui Province	1.5%	1.5%	10.0%	5.0%	5.5%	23.5%
Bishkek City	3.0%	17.5%	15.5%	20.5%	20.0%	76.5%
Total	4.5%	19.0%	25.5%	25.5%	25.5%	100.0%
<b>Non-Operating companies</b>						
Chui Province	1.0%	1.0%	4.9%	1.9%	2.9%	11.7%
Bishkek City	1.9%	7.8%	14.6%	24.3%	39.8%	88.3%
Total	2.9%	8.8%	19.4%	26.2%	42.7%	100.0%

The distribution of the total population and the sampling of operating companies is illustrated in Table 31.

TABLE 31: SAMPLING OF OPERATING COMPANIES

	<b>Operating Companies</b>			
	Total Population		Sampling	
	Initial	Final	Initial	Final
<b>Bishkek City</b>	<b>2 609</b>	<b>2624</b>	<b>151</b>	<b>154</b>
Agriculture	30	27	5	6
Construction	196	201	35	35
Mining and Processing	409	403	31	31
Services	1 049	1 019	40	41
Trade	925	974	40	41
<b>Chui</b>	<b>289</b>	<b>253</b>	<b>49</b>	<b>47</b>
Agriculture	24	23	4	3
Construction	20	16	3	3
Mining and Processing	119	99	20	20
Services	63	57	10	10
Trade	63	58	11	11
<b>Total</b>	<b>2 898</b>	<b>2 877</b>	<b>200</b>	<b>201</b>
Agriculture	54	50	9	9
Construction	216	217	38	38
Mining and Processing	528	502	51	51
Services	1 112	1 076	51	51
Trade	988	1032	51	52

The distribution of the total population and the sampling of non-operating companies is presented in Table 32.

TABLE 32. SAMPLING OF NON-OPERATING COMPANIES

	Non-Operating Companies			
	Total Population		Sampling	
	Initial	Final	Initial	Final
<b>Bishkek City</b>	<b>10293</b>	<b>10278</b>	<b>91</b>	<b>91</b>
Agriculture	113	116	2	2
Construction	723	718	8	8
Mining and Processing	1 605	1611	15	15
Services	2 723	2753	25	25
Trade	5 129	5080	41	41
<b>Chui</b>	<b>734</b>	<b>770</b>	<b>9</b>	<b>12</b>
Agriculture	42	43	1	1
Construction	45	49	1	1
Mining and Processing	241	261	3	5
Services	116	122	1	2
Trade	290	295	3	3
<b>Total</b>	<b>11 027</b>	<b>11 048</b>	<b>100</b>	<b>103</b>
Agriculture	155	159	3	3
Construction	768	767	9	9
Mining and Processing	1 846	1 872	18	20
Services	2 839	2875	26	27
Trade	5 419	5 375	44	44

## Data Analysis

The analysis of data in this report was undertaken by each group of respondents and areas of study.



## ANNEX 2: COMPANY PROFILES

### GENDER COMPOSITION

	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
0%	14.1%	10	2.3%	3	7.9%	4	7.4%	17
Less than 25%	19.6%	16	23.1%	18	17.9%	8	20.0%	44
25-49%	31.4%	20	19.5%	18	29.7%	13	27.8%	59
50-74%	21.3%	16	46.1%	26	29.9%	11	33.0%	57
75-99%	11.3%	7	6.7%	6	14.5%	5	10.0%	19
100%	2.3%	1	2.4%	1	0.0%	0	1.7%	2

Number of employees based in Bishkek

	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
0%	6.9%	12	3.4%	5	10.8%	8	6.3%	27
Less than 25%	1.8%	2	8.1%	5	2.9%	3	4.3%	11
25-49%	6.0%	3	10.0%	6	0.0%	0	6.1%	10
50-74%	13.6%	9	10.5%	6	4.8%	1	10.6%	17
75-99%	12.6%	6	3.6%	2	10.8%	3	8.9%	13
100%	59.1%	38	64.3%	48	70.8%	26	63.6%	120

Number of local employees

	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
0%	0.5%	1	0.5%	1	2.7%	2	0.9%	4
Less than 25%	0.0%	0	2.4%	1	0.0%	0	0.9%	1
25-49%	5.3%	3	2.9%	2	5.2%	2	4.0%	7
50-74%	12.0%	8	9.1%	7	30.1%	11	13.3%	27
75-99%	31.4%	22	44.6%	35	17.7%	12	35.5%	76
100%	50.8%	36	40.5%	26	44.2%	14	45.6%	83

Location of head office/country of investor – operating companies

	Total		Province			
			Chui		Bishkek	
	%	Number	%	Number	%	Number
South Korea	2.3%	7	7.5%	3	1.8%	4
Switzerland	2.5%	3	0.0%	0	2.8%	3
Chile	0.8%	1	0.0%	0	0.9%	1
Montenegro, Bulgaria	0.8%	1	0.0%	0	0.9%	1
France	1.7%	2	0.0%	0	1.9%	2
Ukraine	0.2%	1	2.0%	1	0.0%	0
Uzbekistan	0.2%	1	0.0%	0	0.2%	1
Turkey	8.0%	20	4.1%	2	8.4%	18
Canada	1.1%	2	2.3%	1	0.9%	1
Kyrgyzstan	42.6%	88	35.7%	17	43.3%	71
Russia	8.3%	19	18.8%	9	7.3%	10
USA	2.6%	3	0.0%	0	2.8%	3
UAE	2.1%	4	2.1%	1	2.1%	3
UAE, Japan	0.2%	1	2.1%	1	0.0%	0
Malta	0.8%	1	0.0%	0	0.9%	1
China	5.6%	13	13.5%	6	4.8%	7
China, Russia	0.6%	2	2.0%	1	0.5%	1
Kazakhstan	9.9%	15	4.6%	2	10.4%	13
Kazakhstan, China	0.9%	1	0.0%	0	0.9%	1
Iran	1.2%	3	3.1%	1	1.1%	2
Israel	1.1%	2	0.0%	0	1.2%	2
Georgia	0.8%	1	0.0%	0	0.9%	1
Hong Kong	0.9%	1	0.0%	0	0.9%	1
Germany	1.5%	3	2.1%	1	1.4%	2
Bangladesh	0.2%	1	0.0%	0	0.2%	1
Azerbaijan	0.8%	1	0.0%	0	0.9%	1
Austria	0.5%	1	0.0%	0	0.5%	1
Great Britain	1.7%	2	0.0%	0	1.9%	2
<b>Total</b>	<b>100%</b>	<b>200</b>	<b>23%</b>	<b>46</b>	<b>77%</b>	<b>154</b>

Location of head office/country of investor – non-operating companies

	Total		Province			
			Chui		Bishkek	
	%	Number	%	Number	%	Number
South Korea	2.9%	3	0.0%	0	3.2%	3
Switzerland	2.1%	2	0.0%	0	2.3%	2
Uzbekistan	0.8%	1	0.0%	0	0.9%	1
Turkey	6.1%	7	13.6%	2	5.6%	5
Canada	1.0%	1	0.0%	0	1.1%	1
Kyrgyzstan	44.9%	44	50.2%	5	44.5%	39
Russia	8.9%	9	0.0%	0	9.6%	9
USA	0.5%	1	6.8%	1	0.0%	0
China	5.4%	6	0.0%	0	5.8%	6
Kazakhstan	9.6%	10	7.9%	1	9.8%	9
Iran	1.4%	2	6.8%	1	1.0%	1
Georgia	1.1%	1	0.0%	0	1.2%	1
Great Britain	4.1%	4	0.0%	0	4.4%	4
Latvia, Lithuania	1.0%	1	0.0%	0	1.0%	1
Czech Republic	1.0%	1	0.0%	0	1.0%	1
Senegal	1.1%	1	0.0%	0	1.2%	1
Malaysia	2.7%	3	7.9%	1	2.3%	2
Luxemburg	1.1%	1	0.0%	0	1.2%	1
Iraq	1.0%	1	0.0%	0	1.1%	1
Dominican Republic	0.5%	1	6.8%	1	0.0%	0
Germany, Kazakhstan	1.0%	1	0.0%	0	1.1%	1
Poland	1.1%	1	0.0%	0	1.2%	1
Australia	0.5%	1	0.0%	0	0.6%	1

## ANNEX 3: FACTORS FOR INVESTING IN THE KYRGYZ REPUBLIC

### OPERATING COMPANIES

1. Domestic market	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	-	-	-	-	4.6%	3	2.5%	3
Absolutely not important	10.3%	9	13.9%	10	6.1%	4	10.0%	23
Not important	5.1%	5	4.7%	2	1.5%	1	3.9%	8
Fairly important	15.9%	13	13.5%	8	23.6%	9	17.2%	30
Important	33.0%	22	40.5%	29	27.4%	12	34.4%	70
Very important	35.8%	22	27.4%	24	36.8%	12	32.0%	58

2. Currency stability	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	3.5%	2	-	-	7.6%	2	2.6%	4
Absolutely not important	11.4%	11	26.2%	15	14.1%	7	18.0%	33
Not important	19.6%	12	12.8%	9	14.4%	5	16.4%	26
Fairly important	19.4%	16	32.6%	21	20.2%	7	24.9%	44
Important	29.2%	19	26.3%	24	18.8%	9	25.8%	52
Very important	16.9%	11	2.1%	4	24.9%	11	12.2%	26

3. Ease of repatriation of dividends and income	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	2.7%	4	4.1%	3	1.1%	1	3.6%	9
Absolutely not important	3.3%	3	18.0%	12	7.4%	2	10.0%	18
Not important	18.5%	10	13.1%	11	25.4%	7	16.7%	30
Fairly important	31.4%	26	14.9%	11	31.9%	16	26.0%	60
Important	31.9%	21	40.4%	27	14.2%	7	30.6%	58
Very important	12.2%	7	9.4%	8	20.1%	8	13.2%	25

4. Access to inputs and resources	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	13.5%	8	21.8%	11	7.1%	3	15.1%	23
Absolutely not important	10.1%	6	12.2%	8	15.2%	6	12.6%	22
Not important	11.1%	10	14.6%	11	7.0%	3	12.2%	27
Fairly important	5.5%	6	19.8%	15	17.4%	5	12.7%	28
Important	31.5%	22	17.7%	13	35.0%	16	26.6%	55
Very important	28.3%	19	13.9%	15	18.3%	8	20.9%	46

5. Liberal legislation	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	1.2%	1	1.2%	1	-	-	1.8%	3
Absolutely not important	7.0%	6	9.0%	6	7.4%	2	8.1%	15
Not important	10.0%	6	7.6%	6	10.8%	5	10.0%	19
Fairly important	20.1%	14	17.7%	12	22.9%	10	19.4%	39
Important	37.9%	31	48.0%	35	33.8%	15	40.8%	88
Very important	23.9%	13	16.4%	13	25.2%	9	19.9%	37

6. Availability of business support services	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	10.1%	7	2.8%	2	15.8%	4	8.4%	14
Absolutely not important	8.0%	8	21.4%	14	12.1%	5	13.4%	28
Not important	20.1%	14	25.3%	21	21.7%	8	22.5%	47
Fairly important	24.0%	15	19.6%	14	21.6%	12	23.2%	47
Important	28.7%	23	27.4%	17	21.1%	8	25.6%	51
Very important	9.1%	4	3.5%	4	7.7%	4	6.9%	13

7. Availability of free economic zones/ industrial parks	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	44.4%	28	28.5%	21	31.5%	14	35.5%	69
Absolutely not important	19.5%	17	17.0%	14	27.7%	11	21.7%	48
Not important	13.8%	10	8.7%	8	14.5%	5	11.6%	24
Fairly important	4.0%	3	18.0%	13	5.8%	2	10.6%	21
Important	6.1%	5	13.7%	9	4.7%	4	8.1%	18
Very important	12.3%	8	14.1%	8	15.9%	5	12.5%	21

8. Infrastructure availability	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	2.2%	1	4.6%	4	15.8%	4	6.1%	10
Absolutely not important	10.9%	8	6.9%	7	8.6%	3	8.1%	18
Not important	13.4%	11	14.5%	11	8.6%	3	14.1%	29
Fairly important	22.4%	16	36.7%	23	17.1%	8	27.7%	52
Important	35.3%	23	32.8%	24	36.7%	19	33.2%	70
Very important	15.9%	12	4.6%	4	13.3%	4	10.9%	22

9. Availability of tax and customs privileges	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	4.0%	3	5.9%	5	1.1%	1	6.4%	12
Absolutely not important	13.6%	11	20.6%	14	22.4%	6	17.3%	32
Not important	17.3%	13	17.4%	13	3.8%	2	14.3%	29
Fairly important	17.6%	11	11.4%	7	10.6%	5	13.8%	26
Important	28.9%	20	30.4%	19	21.8%	10	27.9%	55
Very important	18.6%	13	14.4%	15	40.4%	17	20.2%	47

10. Availability of non-tax incentives	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	12.9%	9	3.5%	4	7.2%	3	8.2%	17
Absolutely not important	22.7%	16	35.6%	23	38.7%	13	29.8%	54
Not important	28.9%	23	28.8%	22	15.4%	7	25.1%	54
Fairly important	17.4%	10	10.8%	9	13.1%	4	14.8%	29
Important	11.8%	9	13.8%	10	18.3%	8	14.9%	31
Very important	6.4%	4	7.6%	5	7.3%	5	7.3%	15

11. Land permits	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	22.0%	13	15.3%	9	10.0%	2	17.4%	27
Absolutely not important	26.7%	17	21.9%	15	27.5%	9	24.4%	43
Not important	22.2%	15	12.9%	8	6.1%	4	16.0%	30
Fairly important	5.3%	9	19.1%	12	14.2%	4	12.3%	26
Important	17.4%	13	21.7%	17	28.0%	11	21.7%	48
Very important	6.4%	4	9.0%	12	14.1%	10	8.1%	26

12. Access to banking services	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	11.3%	6	2.3%	1	4.8%	1	6.8%	9
Absolutely not important	19.8%	16	35.1%	22	20.0%	9	26.2%	50
Not important	25.5%	19	13.8%	14	17.1%	8	18.7%	46
Fairly important	11.8%	9	15.4%	12	22.0%	9	15.7%	33
Important	18.5%	14	25.8%	17	21.9%	9	21.6%	43
Very important	13.1%	7	7.6%	7	14.2%	5	11.0%	20

13. Cheap labor force	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	-	-	-	-	-	-	0.0%	-
Absolutely not important	11.3%	6	11.7%	5	18.5%	6	12.7%	19
Not important	16.1%	11	7.4%	7	9.6%	2	10.8%	21
Fairly important	23.4%	17	26.0%	17	33.5%	14	25.7%	50
Important	25.9%	20	39.8%	28	31.4%	12	33.7%	69
Very important	23.2%	17	15.1%	16	7.0%	7	17.1%	42

14. Transparency and predictability of rules	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	4.1%	3	1.2%	1	2.6%	1	3.3%	6
Absolutely not important	13.2%	10	10.7%	6	19.4%	8	12.2%	24
Not important	6.6%	6	11.5%	8	12.2%	3	9.6%	20
Fairly important	18.0%	14	18.8%	19	10.5%	5	20.5%	46
Important	31.6%	23	48.9%	31	29.0%	15	35.9%	72
Very important	26.5%	15	8.8%	8	26.2%	9	18.5%	33

15. Ease of business registration in a country	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	-	-	1.8%	2	2.6%	1	2.0%	4
Absolutely not important	7.5%	5	10.6%	5	5.2%	2	8.1%	13
Not important	10.8%	8	1.6%	3	10.8%	3	6.5%	14
Fairly important	13.2%	14	14.3%	11	12.1%	5	15.4%	36
Important	32.6%	21	45.7%	30	34.3%	16	38.3%	74
Very important	35.9%	23	26.0%	22	34.9%	14	29.8%	60



16. Ease of getting licenses and permits	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	8.3%	5	5%	1	4.8%	3	4.9%	10
Absolutely not important	8.0%	6	11.8%	8	2.6%	1	9.1%	17
Not important	3.2%	3	6.2%	5	5.0%	1	4.4%	9
Fairly important	18.1%	18	16.3%	12	23.1%	9	19.4%	43
Important	36.3%	24	50.7%	34	24.3%	8	38.6%	73
Very important	26.0%	15	14.4%	13	40.2%	19	23.6%	49

17. Access to other markets, including their proximity	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	14.0%	9	9.1%	7	2.0%	2	9.4%	19
Absolutely not important	8.9%	6	13.6%	13	18.3%	5	13.2%	26
Not important	9.7%	7	3.9%	4	9.7%	4	6.9%	16
Fairly important	14.5%	13	20.2%	10	8.6%	3	16.8%	29
Important	27.9%	18	30.9%	22	24.8%	10	29.9%	59
Very important	25.0%	18	22.3%	17	36.6%	17	23.8%	52

18. Personal relations (friends, relatives, diaspora)	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	2.2%	1	5.8%	3	-	-	3.0%	4
Absolutely not important	15.9%	13	20.4%	12	26.6%	8	19.5%	36
Not important	14.0%	7	6.8%	8	5.9%	2	8.9%	18
Fairly important	3.3%	3	11.8%	8	3.0%	3	7.7%	16
Important	36.9%	24	34.9%	23	33.5%	13	34.0%	64
Very important	27.7%	23	20.3%	18	30.9%	15	27.0%	62

19. Transparency and fairness of court system	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	5.8%	5	7.0%	7	3.7%	2	7.2%	17
Absolutely not important	29.6%	20	25.0%	14	24.1%	9	25.6%	45
Not important	13.5%	13	14.4%	13	8.2%	5	12.6%	32
Fairly important	15.4%	12	21.7%	11	14.3%	5	18.9%	34
Important	22.3%	15	23.7%	19	24.0%	10	21.5%	46
Very important	13.5%	6	8.3%	6	25.7%	10	14.2%	24

20. Trade agreements with other countries	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	11.5%	7	5.7%	4	-	-	7.2%	12
Absolutely not important	10.0%	8	19.0%	15	17.2%	4	16.0%	31
Not important	5.5%	7	12.2%	7	14.5%	5	9.0%	19
Fairly important	10.6%	9	8.0%	6	9.7%	5	9.6%	22
Important	28.8%	20	39.9%	25	22.4%	9	31.8%	59
Very important	33.7%	20	15.2%	16	36.2%	18	26.5%	58

21. Other	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	89.7%	64	85.5%	64	91.2%	38	89.3%	182
Absolutely not important	-	-	-	-	-	-	-	-
Not important	-	-	-	-	-	-	-	-
Fairly important	-	-	-	-	-	-	-	-
Important	2.8%	2	0.5%	1	2.6%	1	1.7%	4
Very important	7.6%	5	14.0%	8	6.2%	2	9.0%	15

## NON-OPERATING COMPANIES

1. Domestic market	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	-	-	-	-	-	-	-	-
Absolutely not important	5.8%	3	14.0%	4	2.2%	1	7.3%	8
Not important	11.0%	4	11.8%	4	11.6%	3	10.9%	11
Fairly important	9.1%	4	12.1%	4	12.9%	3	11.3%	12
Important	37.8%	15	28.9%	8	40.2%	9	34.6%	33
Very important	36.3%	15	33.3%	10	33.1%	7	36.0%	35

2. Currency stability	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	-	-	-	-	-	-	-	-
Absolutely not important	16.2%	7	27.2%	8	6.7%	2	16.7%	17
Not important	13.2%	5	15.5%	5	9.7%	2	12.5%	12
Fairly important	21.1%	8	18.6%	6	14.9%	3	19.7%	19
Important	22.1%	10	32.1%	9	47.7%	11	31.9%	32
Very important	27.4%	10	6.6%	2	20.9%	5	19.1%	18

3. Ease of repatriation of dividends and income	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	3.5%	2	3.7%	1	2.2%	1	3.1%	4
Absolutely not important	25.5%	10	11.9%	4	13.8%	4	17.3%	18
Not important	14.3%	6	14.0%	4	13.9%	3	14.5%	14
Fairly important	21.3%	8	10.2%	3	15.6%	3	16.4%	15
Important	15.1%	6	49.8%	15	47.4%	10	34.4%	33
Very important	20.4%	8	10.3%	3	7.1%	2	14.3%	14

4. Access to inputs and resources	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	7.9%	3	3.3%	1	-	-	4.3%	4
Absolutely not important	19.4%	8	10.7%	3	23.3%	5	17.7%	17
Not important	15.0%	6	17.8%	5	14.9%	3	16.2%	15
Fairly important	5.7%	2	11.8%	4	4.1%	1	7.0%	7
Important	28.9%	11	34.7%	10	20.3%	5	29.2%	28
Very important	23.1%	10	21.7%	7	37.3%	9	25.7%	27

5. Liberal legislation	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	2.8%	1	-	-	4.5%	1	2.2%	2
Absolutely not important	8.1%	4	6.6%	2	16.6%	4	9.1%	10
Not important	-	-	7.0%	2	11.9%	3	6.8%	7
Fairly important	30.0%	12	12.9%	4	12.9%	3	20.4%	20
Important	39.6%	16	49.3%	15	46.4%	10	43.1%	42
Very important	19.5%	7	24.2%	7	7.8%	2	18.4%	17

6. Availability of business support services	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	-	-	3.3%	1	4.5%	1	2.1%	2
Absolutely not important	34.6%	14	31.3%	9	17.1%	4	28.9%	28
Not important	14.6%	5	22.1%	7	13.8%	4	18.0%	18
Fairly important	17.5%	6	7.0%	2	13.6%	3	12.4%	11
Important	14.0%	7	29.3%	9	48.4%	10	28.0%	28
Very important	19.3%	7	6.9%	2	2.6%	1	10.6%	10

7. Availability of free economic zones/ industrial parks	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	16.7%	7	20.1%	6	12.0%	3	15.9%	16
Absolutely not important	38.3%	16	34.3%	10	50.1%	12	39.9%	40
Not important	23.7%	9	3.7%	1	-	-	12.8%	12
Fairly important	7.6%	3	3.3%	1	4.1%	1	5.1%	5
Important	11.0%	4	14.5%	5	24.7%	5	15.5%	15
Very important	2.8%	1	24.1%	7	9.0%	2	10.8%	10

8. Infrastructure Availability	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	2.8%	1	-	-	7.4%	2	2.8%	3
Absolutely not important	15.3%	6	14.8%	5	2.4%	1	12.5%	13
Not important	18.0%	7	14.5%	4	12.6%	3	16.7%	16
Fairly important	19.1%	8	19.0%	6	9.3%	2	16.9%	17
Important	30.9%	12	21.0%	6	61.1%	13	34.1%	32
Very important	13.9%	6	30.8%	9	7.1%	2	17.0%	17

9. Availability of tax and customs privileges	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	7.4%	3	3.3%	1	4.5%	1	5.1%	5
Absolutely not important	34.8%	14	21.9%	7	28.6%	6	29.5%	29
Not important	13.4%	5	14.0%	4	4.5%	1	12.9%	12
Fairly important	4.9%	2	9.8%	3	20.3%	4	9.7%	9
Important	26.2%	11	26.3%	8	29.8%	8	26.8%	28
Very important	13.3%	5	24.8%	7	12.3%	3	16.0%	15

10. Availability of non-tax incentives	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	10.2%	4	3.3%	1	9.0%	2	7.3%	7
Absolutely not important	47.9%	19	28.8%	9	47.6%	11	42.4%	42
Not important	10.6%	4	28.1%	8	11.9%	3	16.9%	16
Fairly important	4.9%	2	11.4%	4	13.9%	3	9.6%	10
Important	17.5%	7	21.4%	6	9.8%	2	16.2%	15
Very important	8.9%	4	7.0%	2	7.8%	2	7.6%	8

11. Land permits	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	16.1%	6	-	-	10.4%	2	9.0%	8
Absolutely not important	33.2%	13	28.0%	8	39.8%	9	33.5%	32
Not important	17.7%	7	23.9%	7	-	-	15.9%	15
Fairly important	2.8%	1	8.6%	3	7.4%	2	6.5%	7
Important	13.6%	6	15.3%	5	30.7%	7	18.1%	19
Very important	16.6%	7	24.3%	7	11.7%	3	17.1%	17

12. Access to banking services	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	2.5%	1	3.3%	1	4.5%	1	3.1%	3
Absolutely not important	15.8%	7	16.8%	5	12.0%	3	16.6%	17
Not important	23.1%	9	23.1%	7	14.2%	3	21.0%	20
Fairly important	10.6%	4	11.5%	4	12.9%	3	10.8%	11
Important	35.9%	14	14.4%	4	45.1%	10	31.2%	30
Very important	12.2%	5	30.9%	9	11.2%	3	17.3%	17

13. Cheap labor force	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	2.6%	1	-	-	-	-	1.1%	1
Absolutely not important	17.4%	7	10.2%	3	5.2%	1	12.5%	12
Not important	16.7%	7	10.2%	3	4.5%	1	12.1%	12
Fairly important	17.8%	7	17.3%	5	20.3%	4	17.4%	16
Important	27.6%	10	22.2%	7	30.3%	7	28.0%	27
Very important	17.8%	7	40.0%	12	39.7%	10	29.0%	29

14. Transparency and predictability of rules	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	8.8%	3	-	-	4.5%	1	4.6%	4
Absolutely not important	18.2%	7	11.5%	3	6.7%	2	13.5%	13
Not important	10.1%	4	12.5%	4	5.2%	1	11.1%	11
Fairly important	12.8%	5	8.9%	3	17.8%	4	14.1%	14
Important	32.7%	12	32.0%	9	50.9%	11	35.1%	32
Very important	17.4%	6	35.2%	10	14.9%	4	21.6%	20

15. Ease of business registration in a country	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	-	-	3.2%	1	-	-	1.0%	1
Absolutely not important	-	-	3.2%	1	6.7%	2	2.5%	3
Not important	2.9%	1	6.6%	2	-	-	4.3%	4
Fairly important	11.1%	5	6.6%	2	17.2%	4	10.5%	11
Important	56.4%	22	51.0%	15	61.3%	13	55.9%	53
Very important	29.6%	11	29.3%	9	14.7%	4	25.6%	25

16. Ease of getting licenses and permits	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	-	-	9.8%	3	5.2%	1	4.3%	4
Absolutely not important	1.4%	1	10.7%	3	6.7%	2	6.3%	7
Not important	16.2%	6	3.3%	1	-	-	8.8%	8
Fairly important	7.6%	4	5.5%	2	19.0%	4	9.1%	10
Important	46.0%	18	40.8%	12	54.3%	12	47.0%	45
Very important	28.8%	11	29.9%	9	14.7%	4	24.6%	24

17. Access to other markets, including their proximity	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	5.4%	2	3.7%	1	2.2%	1	3.9%	4
Absolutely not important	19.0%	8	23.5%	7	15.7%	4	21.7%	22
Not important	12.2%	5	8.5%	3	5.2%	1	9.9%	10
Fairly important	14.2%	6	7.0%	2	-	-	9.0%	9
Important	26.1%	10	31.4%	9	46.7%	10	31.1%	29
Very important	23.0%	9	25.9%	8	30.2%	7	24.4%	24

18. Personal relations (friends, relatives, diaspora)	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	2.9%	1	-	-	-	-	1.2%	1
Absolutely not important	13.5%	5	14.5%	4	30.2%	7	19.1%	18
Not important	4.1%	2	7.2%	2	-	-	3.9%	4
Fairly important	2.5%	1	8.8%	3	9.7%	2	6.0%	6
Important	30.3%	12	29.9%	8	27.2%	6	28.9%	27
Very important	46.7%	18	39.6%	12	32.8%	8	40.9%	40



19. Transparency and fairness of court system	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	9.3%	3	6.5%	2	10.2%	2	8.1%	7
Absolutely not important	25.3%	9	28.1%	8	12.5%	3	23.1%	21
Not important	12.9%	4	12.1%	4	-	-	9.9%	9
Fairly important	6.3%	3	4.9%	2	22.3%	5	11.2%	12
Important	27.6%	10	35.0%	10	46.9%	10	34.1%	31
Very important	18.6%	6	13.5%	4	8.1%	2	13.5%	12

20. Trade agreements with other countries	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	-	-	10.3%	3	2.2%	1	3.7%	4
Absolutely not important	23.4%	10	18.7%	6	8.3%	2	19.4%	20
Not important	4.5%	2	10.2%	3	5.2%	1	7.3%	7
Fairly important	16.1%	7	10.3%	3	14.4%	4	14.9%	16
Important	39.9%	15	36.0%	11	57.6%	12	40.7%	38
Very important	16.1%	6	14.5%	4	12.3%	3	13.9%	13

## ANNEX 4. FACTORS IMPEDING A DECISION TO INVEST OPERATING COMPANIES

1. Foreign Ownership Restrictions	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	5.0%	5	6.0%	3	1.1%	1	5.1%	10
No restrictions	56.1%	36	48.5%	34	37.8%	19	49.7%	97
Limited restriction	8.5%	9	15.3%	9	9.6%	2	10.4%	20
Moderate restriction	18.9%	12	15.0%	13	35.9%	13	20.6%	41
Key restriction	8.6%	7	9.9%	10	11.1%	3	9.5%	23
Major restriction	2.9%	2	5.4%	3	4.7%	3	4.7%	9

2. Restrictions in business start-up procedures	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	-	-	-	-	-	-	-	-
No restrictions	52.7%	38	47.7%	34	36.1%	14	46.5%	92
Limited restriction	20.6%	15	16.5%	9	13.1%	5	17.9%	32
Moderate restriction	11.2%	9	16.6%	11	17.1%	9	15.1%	32
Key restriction	9.6%	6	15.3%	13	14.8%	5	13.7%	28
Major restriction	5.9%	3	3.9%	4	19.0%	8	6.9%	15

3. Operational requirements	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	-	-	4.7%	2	5.8%	2	2.7%	4
No restrictions	74.5%	50	47.0%	36	40.9%	20	56.6%	115
Limited restriction	14.2%	14	5.6%	4	17.1%	7	12.1%	27
Moderate restriction	10.3%	5	18.8%	16	18.2%	7	14.7%	29
Key restriction	1.0%	2	17.2%	10	13.2%	4	9.7%	19
Major restriction	-	-	6.6%	4	4.8%	1	4.1%	6

4. Visa restrictions for foreign employees	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	19.1%	13	7.0%	3	7.0%	3	11.1%	20
No restrictions	43.6%	33	34.6%	23	24.1%	9	38.2%	75
Limited restriction	17.4%	10	6.4%	5	2.6%	1	11.0%	18
Moderate restriction	9.7%	6	11.4%	7	16.5%	7	11.5%	21
Key restriction	3.4%	4	22.3%	18	15.0%	9	12.8%	32
Major restriction	6.8%	5	18.3%	15	34.8%	12	15.4%	33

5. Land ownership restrictions	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	34.6%	20	15.5%	7	13.2%	4	21.8%	32
No restrictions	34.2%	23	25.6%	18	27.5%	12	29.6%	57
Limited restriction	5.5%	6	5.8%	6	6.7%	3	6.4%	19
Moderate restriction	11.1%	8	21.9%	13	16.7%	7	16.7%	30
Key restriction	8.9%	9	13.5%	14	12.1%	4	12.7%	31
Major restriction	5.7%	5	17.7%	14	23.8%	11	12.9%	31

6. Corruption	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	1.7%	2	-	-	5.8%	2	2.5%	5
No restrictions	25.1%	20	19.8%	16	14.7%	5	20.1%	42
Limited restriction	17.4%	10	9.7%	6	12.8%	6	13.4%	24
Moderate restriction	27.5%	22	24.3%	16	6.9%	3	23.6%	47
Key restriction	9.8%	6	22.3%	14	18.9%	9	16.6%	32
Major restriction	18.5%	11	23.9%	17	40.8%	16	23.7%	45

7. Safety and security	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	-	-	2.3%	1	5.8%	2	1.9%	3
No restrictions	45.8%	30	31.1%	23	26.0%	13	34.7%	68
Limited restriction	9.9%	8	13.4%	10	2.2%	2	9.8%	23
Moderate restriction	22.0%	16	27.1%	18	26.2%	9	27.7%	51
Key restriction	12.8%	10	14.1%	11	18.8%	8	14.4%	32
Major restriction	9.5%	7	12.0%	9	21.0%	7	11.5%	23

8. Other	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	89.2%	65	92.8%	68	92.4%	39	92.0%	188
No restrictions	-	-	-	-	-	-	-	-
Limited restriction	-	-	-	-	-	-	-	-
Moderate restriction	2.3%	1	1.3%	1	-	-	1.3%	2
Key restriction	2.2%	1	2.3%	1	-	-	1.7%	2
Major restriction	6.3%	4	3.7%	2	7.6%	2	5.0%	8

## NON-OPERATING COMPANIES

1. Foreign Ownership Restrictions	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	5.2%	2	-	-	9.0%	2	4.1%	4
No restrictions	71.0%	29	54.9%	20	72.8%	17	65.5%	69
Limited restriction	9.4%	4	15.0%	5	7.8%	2	12.3%	13
Moderate restriction	2.8%	1	6.8%	2	5.2%	1	4.5%	4
Key restriction	2.8%	1	3.4%	1	5.2%	1	3.4%	3
Major restriction	8.9%	4	19.9%	6	-	-	10.2%	10

2. Restrictions in business start-up procedures	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	5.2%	2	-	-	4.5%	1	3.1%	3
No restrictions	55.9%	23	52.4%	19	51.1%	12	53.9%	57
Limited restriction	11.0%	4	19.6%	6	10.4%	2	14.2%	13
Moderate restriction	10.0%	5	9.8%	3	11.9%	3	10.7%	12
Key restriction	10.3%	4	12.0%	4	11.6%	3	10.7%	11
Major restriction	7.5%	3	6.3%	2	10.4%	2	7.4%	7

3. Currency transfer and conversion constraints / procedures	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	6.5%	3	3.4%	1	9.0%	2	5.7%	6
No restrictions	77.8%	32	65.1%	23	65.6%	16	70.1%	74
Limited restriction	13.8%	5	22.1%	7	5.2%	1	15.1%	14
Moderate restriction	0.0%	0	3.0%	1	5.2%	1	2.1%	2
Key restriction	2.0%	1	3.4%	1	4.5%	1	3.8%	4
Major restriction	-	-	3.0%	1	10.4%	2	3.2%	3

4. Visa restrictions for foreign employees	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	3.8%	2	3.4%	1	9.1%	2	4.7%	5
No restrictions	79.1%	32	51.9%	19	63.0%	15	65.7%	69
Limited restriction	5.5%	2	25.6%	8	7.7%	2	14.3%	14
Moderate restriction	4.8%	2	2.9%	1	-	-	2.9%	3
Key restriction	2.8%	1	9.8%	3	14.9%	3	7.6%	7
Major restriction	4.0%	2	6.4%	2	5.2%	1	4.9%	5

5. Land ownership restrictions	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	10.1%	4	6.8%	2	4.5%	1	7.3%	7
No restrictions	73.5%	30	56.7%	20	72.9%	17	67.2%	70
Limited restriction	8.3%	3	17.0%	6	10.4%	2	13.1%	13
Moderate restriction	4.8%	2	6.3%	2	5.2%	1	5.1%	5
Key restriction	-	-	6.8%	2	4.5%	1	3.2%	3
Major restriction	3.4%	2	6.4%	2	2.4%	1	4.0%	5

6. Low transparency and predictability of the State's actions	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	2.8%	1	-	-	4.5%	1	2.1%	2
No restrictions	67.8%	27	47.4%	17	54.5%	12	56.8%	58
Limited restriction	6.5%	3	9.0%	3	7.7%	2	7.3%	8
Moderate restriction	4.0%	2	9.4%	3	16.2%	4	10.1%	11
Key restriction	2.8%	1	21.5%	7	-	-	8.2%	8
Major restriction	16.3%	7	12.7%	4	17.1%	4	15.5%	16

7. Expropriation and confiscation risks	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	5.3%	2	-	-	6.7%	2	3.6%	4
No restrictions	73.9%	30	52.7%	19	66.1%	15	63.5%	66
Limited restriction	5.7%	2	18.1%	6	5.2%	1	10.4%	10
Moderate restriction	7.7%	3	13.1%	4	4.5%	1	8.4%	8
Key restriction	2.0%	1	0.0%	0	7.1%	2	3.3%	4
Major restriction	5.3%	2	16.1%	5	10.4%	2	10.8%	10

8. Corruption	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	3.8%	2	-	-	7.0%	2	3.1%	4
No restrictions	54.4%	23	29.9%	11	31.5%	7	40.7%	43
Limited restriction	10.4%	4	6.6%	2	16.4%	4	10.0%	10
Moderate restriction	8.3%	3	19.8%	6	12.6%	3	13.5%	13
Key restriction	10.7%	4	18.8%	6	7.8%	2	12.2%	12
Major restriction	12.4%	5	24.9%	8	24.7%	5	20.4%	20

9. Poor safety and security	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	2.8%	1	-	-	4.5%	1	2.1%	2
No restrictions	62.7%	26	39.6%	14	45.3%	11	51.2%	54
Limited restriction	5.5%	2	12.4%	4	12.9%	3	10.1%	10
Moderate restriction	10.4%	4	19.1%	6	15.6%	3	13.9%	13
Key restriction	1.1%	1	11.3%	4	9.7%	2	7.2%	8
Major restriction	17.6%	7	17.5%	6	11.9%	3	15.5%	16

10.Business unprofitability	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	14.1%	6	6.1%	2	4.5%	1	9.6%	10
No restrictions	41.4%	16	33.1%	11	38.8%	10	39.0%	40
Limited restriction	2.5%	1	13.6%	4	20.8%	4	11.1%	10
Moderate restriction	5.2%	3	7.0%	2	9.7%	2	6.5%	7
Key restriction	14.5%	6	8.1%	3	-	-	8.5%	9
Major restriction	22.3%	8	32.1%	11	26.2%	6	25.3%	25

11. Personal motives	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	87.9%	36	89.7%	29	80.4%	19	86.6%	88
No restrictions	-	-	-	-	-	-	-	-
Limited restriction	-	-	-	-	-	-	-	-
Moderate restriction	-	-	-	-	-	-	-	-
Key restriction	2.8%	1	-	-	-	-	1.1%	1
Major restriction	9.4%	4	10.3%	5	19.6%	4	12.3%	14

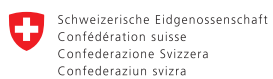
12. Other	Countries						Total	
	CIS		OECD		Other			
	%	Number	%	Number	%	Number	%	Number
No data	73.6%	30	87.7%	30	83.8%	19	80.7%	83
No restrictions	-	-	-	-	-	-	-	-
Limited restriction	-	-	-	-	-	-	-	-
Moderate restriction	-	-	-	-	-	-	-	-
Key restriction	5.2%	2	-	-	-	-	2.1%	2
Major restriction	21.2%	9	12.3%	4	16.2%	4	17.2%	18







IN PARTNERSHIP WITH:



Swiss Confederation

Federal Department of Economic Affairs FDEA  
State Secretariat for Economic Affairs SECO



November 2015