

B A S I S



■ Collaborative Research
Support Program

The Investment Climate in the Kyrgyz Republic

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BASIS CRSP

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The Investment Climate in the Kyrgyz Republic

by M.Bobukeeva

I. General Provisions

Assessment of the investment climate in the Kyrgyz Republic generally is based on analysis of the factors as follows:

- natural resources;
- political stability and predictability;
- macro-economic stability: budget, payment of balance, state debt;
- quality of state governance, policy of central and local authorities;
- legislation, comprehensiveness and quality in terms of regulation of the economic life, level of liberalism;
- level of development and accessibility of infrastructure objects;
- protection of ownership rights and level of tax burden;
- quality of the banking system and other financial institutions, access of the population to credit resources;
- administrative, technical, information and other impediments to entering the market, level of monopoly in the economy.

This report will reveal the pre-conditionalities of state governance, legislation, protection of the ownership rights for attraction of foreign investments.

P.S. Statistical data is provided by the Center for Attraction of Direct Investments at the State Property Fund.

A. Legislation

1. Law On Investments in the Kyrgyz Republic (New Law of March 27, 2003)
2. Civil Code
3. Tax Code
4. Customs Code
5. Labor Code
6. Land Code
7. Law On Licensing
8. Law On Simplified System of Taxation of Small-Business Entities
9. International treaties and agreements.

B. About new Law On Investments in the Kyrgyz Republic

1. New Law On Investments in the Kyrgyz Republic sets forth the basic principles of the state investment policy focused on improving the investment climate in the country and encouraging the attraction of local and foreign investments through ensuring the fair and equal legal regime for investors and protection of the investments attracted into the economy of the Kyrgyz Republic; regulates the relations between the investors and state bodies of the Kyrgyz Republic.

2. The main distinctive features of the new law versus the old law On Foreign Investments in the Kyrgyz Republic are as follows:
 - possibility to provide preferences (those investing into the priority sectors of the economy and social sphere, as well as to certain territories of the Republic in line with the government development programmes (projects) can exercise the investment privileges as provide for by the law of the Kyrgyz Republic);
 - the right of investor to appeal to the International Arbitrary Court, skipping the internal procedures;
 - stability (nonchangeability) of the legal background during 10 years. In case of introducing amendments and changes into the laws on investments, except for the Constitution of the Kyrgyz Republic, tax laws, laws on national security , public health care, environment protection, during the next 10 years as of the date the amendments and changes passed, investors will exercise the right of choosing the most favorable conditions for themselves;
 - leveling up of conditions for local and foreign investors;
 - clear definition of the term “investor” (foreign and local).

C. State bodies for attraction of investments

1. **Advisory Council for Foreign Investments, Special Representative of the President of the Kyrgyz Republic for attraction of foreign investments** (Decree of the President of the Kyrgyz Republic of August 22, 2001 № 254 “On Additional Measures for Further Promoting of Attraction and Use of Foreign Investments”)
2. **State Committee of the Kyrgyz Republic for State Property Management and Attraction of Direct Investments** (State Property Fund), structural subdivision of the State Property Fund – Center for Attraction of Direct Investments (Resolution of the Government of the Kyrgyz Republic of March 23, 2001 № 120)

a. Powers of the aforementioned bodies:

- 1) **Advisory Council for Foreign Investments (the Council)** shall define the concept and ensure the coordination and targeted implementation of actions on attraction and efficient use of foreign investments required for social and economic development of the country.

Composition of the Council:

- President of the Kyrgyz Republic – Chairman of the Council;
- Prime Minister of the Kyrgyz Republic;
- Special Representative of the President of the Kyrgyz Republic for attraction of foreign investments;
- Representative of the diplomatic corps accredited in the Kyrgyz Republic;
- Representative of the International Financial Institutions (Resident Representative of the European Bank for Reconstruction and Development in the Kyrgyz Republic, Mr. Fernan Pionele)

Main tasks of the Advisory Council:

- control over activities on attraction of foreign investments;

- determination of directions in work of the state bodies for attraction and use of foreign investments in the Kyrgyz Republic;
- elaboration of proposals and recommendations for the President of the Kyrgyz Republic and state bodies aimed to ensure the agreed collaboration between the state authorities; development of strategy and priorities in the attraction of foreign investments.

2) *Special Representative of the President of the Kyrgyz Republic for attraction of foreign investments:*

- coordination of efforts of the state executive power bodies, self-governance bodies, international institutions operating in the Kyrgyz Republic, associations of businessmen and investors in creation of advantageous conditions for attraction of foreign investments;
- development of conceptual proposals on investment policy of the Kyrgyz Republic; organizational, methodological and technical provision of the work of the Advisory Council for Foreign Investments. Activities of the Special Representative are carried out through the Secretariat consisting of a group of experts in various matters of the economy.

3) *State Committee of the Kyrgyz Republic for State Property Management and Attraction of Direct Investments (State Property Fund):*

- is the empowered state body entitled to implement the investment policy in the country;
- determines main directions and priorities in attraction of direct foreign investments, formulates the policy of their allocation.

Center for Attraction of Direct Investments as a structural subdivision of the State Property Fund is a connecting link between the foreign investors, state structures and local businessmen.

Services of the Center:

- consultation on issues of investment opportunities, legislation and market situation in the Kyrgyz Republic;
- search in the data base for partners in Kyrgyzstan in compliance with the production and geographic requirements;
- marketing researches to develop production and reveal the requirements of the market; promote goods and services in the domestic and external markets; find an appropriate personnel, production areas, partners, etc.
- presentation of interests of investors being empowered as a legal defendant in the courts and state bodies;
- multiple assistance to investors in receipt of permission/ authorization documents (the “One Stop Shop” unit)

II. Main Provisions

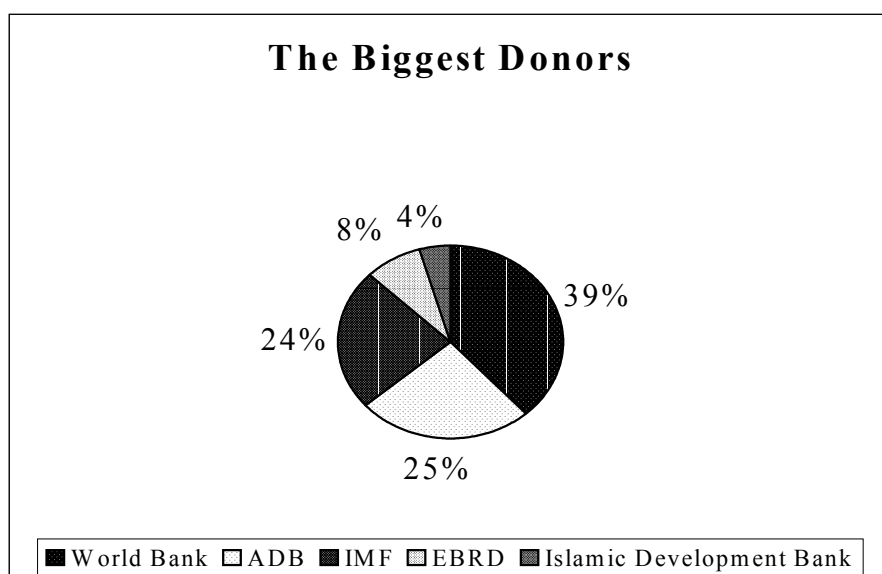
A. The International Financial Institutions and their contribution to the development of economy in the Kyrgyz Republic

thousand USD

The World Bank

397, 712,0

| | |
|--|-----------|
| The Asian Development Bank | 259,922,0 |
| The International Monetary Fund | 246,508,0 |
| The European Bank for Reconstruction and Development | 85,399,0 |
| The Islamic Development Bank | 45,500,0 |



1. *The World Bank in the Kyrgyz Republic*

Background data:

The Kyrgyz Republic entered the World Bank in 1992. The World Bank implements projects in all the seven oblasts of the country. At present, there are three main institutions included into the Group of the World Bank, which operate in the Kyrgyz Republic: The International Development Agency (IDA), the International Financial Corporation (IFC), the Multilateral Guarantee of Investments Agency (MIGA).

Financial Assistance:

Financial support provided by the Group of the World Bank in the Kyrgyz Republic is focused on the following key directions: restoration of economic growth, particularly in the agrarian sector, private sector support – both direct and through the improvement of the regulatory and legal basis, assistance to human development and protection of vulnerable groups of the population, strengthening of state governance and institutional capacities of the country. The World Bank provides assistance under the framework of projects for structural reorganization, as well as the investments and regional projects.

Technical Assistance:

The World Bank provides technical assistance and advisory support in key directions, recommendations in the matters like finances, banking, pension security, state governance, poverty alleviation, mining and public expenditures.

Representative Office of the World Bank in the Kyrgyz Republic:

Representative office of the World Bank in the Kyrgyz Republic. Resident Representative –

Mr. Chris Lovelace

Address: 214-b Moskovskaya str. Bishkek

Tel.: + 996 (312) 610 560

Fax: + 996 (312) 610 356

2. *The International Financial Corporation*

The IFC strategy reflects priorities in development and real demand of the country and is closely interrelates with the country assistance programme (CAS) of the World Bank and has a strong focus on development of institutional opportunities for private sector development, in particularly, for the small and medium- scale business, agricultural sector support, financial sector, tourism, mining industry, energy sector and telecommunication.

The IFC Office in Bishkek

Mrs. Gulnara Djuzenova, Coordinator

214 Moskovskaya str., Bishkek

Tel.: + 996 (312) 610 560

Fax: + 996 (312) 610 356

E-mail: gjuzenova@ifc.org

The IFC Office in Almaty

Mr. Gorton De Mond, regional representative in Central Asia

Tel.: (7-3272) 980 580

Fax: (7-3272) 980 581

E-mail: gmond@ifc.org

3. *Asian Development Bank*

Background data:

The Asian Development Bank started its activities in the Kyrgyz Republic in 1994.

Financial Assistance:

As the Government of the Kyrgyz Republic and the Asian Development Bank attach special significance to the poverty alleviation, therefore the current and forthcoming operations in the country are focused on these issues. ADB supports the development of economically and strategically important projects and initiatives. One of such projects is the rehabilitation of the Bishkek-Osh road. The first and the second phases of rehabilitation have already been completed with the third one currently successfully on-going. In addition, the project on support of education has almost ended up and the project for support the vocational training and education is presently being at the first stage of preparation.

Technical Assistance:

ADB has provided 29,8 million USD of grant resources for 49 technical assistance projects. 14 advisory and technical assistance projects have already been finished. The on-going ADB projects cover various sectors and matters, like agricultural development, strengthening of credit unions and rural crediting infrastructure, education, energy sector,

customs service, rehabilitation of roads, emergency assistance for liquidation of floods consequences and restoration of infrastructure objects in South of the Republic. At the Government's request, ADB took the leadership in development of the educational sector. The Bank also provides assistance to programmes on improvement of policy, regulatory and institutional capacities in the banking sector. ADB presented programmes for judicial reforming and streamlining of corporate governance to make activities of private companies open and efficient. If fully implemented these reforms in mid- and long-term perspective would create beneficial environment for the development of private enterprises.

The ADB Office in the Kyrgyz Republic:

Resident Representative: Mr. Cherian Alexander

Address: 78 Logvinenko str., Bishkek

Tel: + 996 (312) 610 870

Fax: + 996 (312) 610 993

4. *The International Monetary Fund*

Background data:

The Kyrgyz Republic entered the IMF in May 8, 1992. Its quota amounts to 88,8 million SDR (around 111,8 million USD). The Kyrgyz Republic undertook liabilities and obligations pursuant to Article VIII of the Agreement with the IMF in relation to the convertibility of current operations of March 29, 1995.

Financial Assistance:

Since 1993, the Kyrgyz Republic 4 times has been provided with an access to the IMF resources for support of government economy development programmes. Currently Kyrgyzstan jointly with the IMF runs the Programme of Poverty Alleviation and Economic Development, which is focused on strengthening and making sustainable the balance of payment as well as on facilitating the long-term economic growth to reach the improvement of living standards and poverty alleviation in the country.

Technical Assistance:

The IMF provides the Kyrgyz Republic with technical assistance in the areas like taxation, budgeting, monetary and crediting spheres, in particular, in such matters as public expenditures, tax, customs, monetary and crediting policies as well as in statistics.

The IMF Office in the Kyrgyz Republic:

Resident Representative – Mr. Bhaswar Mukhopadhyay

Address: 101 Umetalieva str., Bishkek

Tel: + 996 (312) 216 584

Fax: + 996 (312) 610 165

5. *The European Bank for Reconstruction and Development*

Background data:

The Kyrgyz Republic entered the European Bank for Reconstruction and Development in June 3, 1992. The representative office in Bishkek was opened in 1995. The main objective the EBRD is to facilitate the countries of Central and Eastern Europe and the CIS in the transition to the market economy through direct financing of operations of the private sector, restructuring and privatization, support to infrastructure.

Financial Assistance:

As on 31 July 2002, the net aggregated investments of the Bank accounted for 174 million Euro. Proportion of investments into private sector and public sector is 52/48. At present, the on-going projects in the state sector include two projects for improvement of electrical lines, a project for modernization of telecommunication networks and one project for restructuring of an agri-business enterprise. Projects in the private sector include: development of mining of gold deposit, credit lines for Small and Medium Enterprises (SME), two banks jointly with the IFI and the strategic investor - hotel, shoe factory and five small investment projects under the framework of Programme of Direct Investments.

Technical Assistance:

The Kyrgyz Republic has been provided with sufficient technical assistance (at total 14,6 million Euro), including the technical assistance under Programme of Governance Reforming "TAM". Programme of technical cooperation with the EBRD is focused on strengthening of financial sector, development of natural resources, agriculture and elaborating laws in the sector of important infrastructures (energy, telecommunication)

The EBRD Office in the Kyrgyz Republic:

Resident Representative – Mr. Fernan Poionel
Address: 26 Geologicheski, Bishkek
Tel.: + 996 (312) 530 017; 530 012; 530 016
Fax: + 996 (312) 666 284

6. *The Islamic Development Bank***Background data:**

The Bank has been cooperating with the Kyrgyz Republic since November 1993. Total volume of assistance amounts at 45,5 million USD, including 43,2 million of financial and 2,3 million USD of technical assistance.

The Bank invests projects in such sectors as transport and road construction, energy, telecommunication, agricultural processing, education, public health care, besides it renders technical assistance and facilitates the development of foreign trade.

The IDB crediting is unique in being interest-free (pursuant to the rules and laws of shariat) but includes commission fees to cover administrative costs the Bank beared at the stage of preparing and launching a project.

The Islamic Corporation for Private Sector Development

The Corporation was set up as an independent body to work with the private sector in the countries-members of the IDB. This organization is assigned to complement activities of the IDB in terms of supporting the economic development through strengthening of private sector in the countries-members of the IDB for investment, trade and financial activities, assets administration and development of the Islamic securities market and borrowed capital.

Regional Office:

Address: Republic of Kazakhstan, Almaty
67 Aiteke-bi str.
Tel.: (7-3272) 623 555; 623 620
Fax: (7-3272) 501 303

B. International Programs for Development

There are several International Programs and Agencies for Development in Kyrgyzstan, which are working in different areas of investment promotion:

1. UNDP (Jerzy Skuratowicz, Bishkek, 160 Chui Pr., tel.: 611 215, e-mail: jerzy.skuratowicz@undp.org, is@undp.kg; Akopyan David Gareginovich, tel.: 611 213, e-mail: david.akopyan@undp.org);
2. USAID (Tracy Atwood, tel.: 720 146; Eamon Doran, tel.: 710 244; Shawn Roberts, tel.: 789 897, Bishkek, 171 Mira Pr.; Fred Huston, tel.: 660 222);
3. TESIS (Carina Skareby, Bishkek, 155 Chui Pr., tel.: 690 132);
4. GTZ (Ulrike Roesler, Nurjamal Umetalieva, Bishkek 106, Chui Pr., room 232, tel.: 665 813, 662 639);
5. JICA (Kioshi Ishii, Bishkek, 203 Baitik Baatyra St., 2 floor, tel.: 665 401);
6. DFID (Urkalyi Isaev, Aida Tashirova, Bishkek, 215 Manaschy Sagynbaya St., tel.: 690292);
7. Turkish Agency for International Development (Fahri Solak, Bishkek 193 Abdymomunova St., room. 2, tel.: 661 357);
8. Swiss Coordination Office (Urs Herren, Bishkek, 144 Panfilova St., tel.: 666 481) and other.

C. Governmental Support of Small and Medium Business

1. Data, according to the Statement of the President of the Kyrgyz Republic Akaev A. at the meeting with Kyrgyz businessmen on January 27, 2003, that characterizes the present state of small and medium business:
 - more than 200 thousand subjects of small and medium business perform their activity.

- their number increased by 20 thousand.
- the number of people employed in small and medium business increased by 5.5%, and those engaged in individual business activity – by 10%.
- more than 60% of all people occupied in the Republic’s economy are employed in the area of entrepreneurship.
- its share in the GDP is 44.3%.
- small and medium business entities produce 27.7% of industrial output, produced in the country.
- 50% of all agricultural produce belongs to peasant farms.
- private sector’s share in the total agricultural output is 93%, and in economics as a whole – about 90%.

2. Governmental Body that Controls the Business Sphere.

a. By the Decree of the President of the Kyrgyz Republic # 363 On Reorganization of Central Governmental Executive Bodies from December 28, 2000, the functions of the State Fund for Support of Small and Medium Business under the Government of the KR, Small and Medium Business Development Department of the Ministry of External Trade and Industry of the KR, as well as functions of protection and development of small and medium business of the State Committee for Protection and Development of Competition under the President of the KR were combined, and ***State Commission under the Government of the Kyrgyz Republic on Development of Entrepreneurship*** was created.

b. State Commission on Development of Entrepreneurship:

- 1) directly participates in forming and implementing of common state policy in the sphere of entrepreneurship, in particular regulatory and policy, dealing with licensing of entrepreneurial activity and state registration of entrepreneurship;
- 2) coordinates executive governmental bodies’ activity, related to development and implementation of measures on carrying out common state regulatory policy in the sphere of entrepreneurship, licensing of entrepreneurial activity, and state registration;
- 3) assists in forming a system for credit and financial, consulting and informational support of entrepreneurship.

c. There were Decrees of the President of the KR published, and the Government of the KR adopted several Resolutions aimed at creating favorable conditions to conduct business and attracting direct investments.

For example:

- a number of types of activities, that are subject to licensing, significantly decreased;
- work is done in order to reduce the number of authorization documents and to abolish double permits in all the Ministries and Departments;
- there was a mechanism developed, which is now is being put into practice, for state registration of business entities according to the principle of ‘common window’, which would allow to process state registration of a business entity by one state body and within the minimal time limits.
- an annual moratorium was implemented for adopting new by-laws by the Government of the KR, that would put obstacles in the way of

entrepreneurship development (Decree of the President of the KR from April 25, 2002)

3. Taxation:

a. Committee on Incomes was established under the Ministry of Finance on the foundation of the State Tax and Customs Inspection (Decree of the President of the KR from September 26, 2002). On this basis a unified information system of the Committee on Incomes, Social Fund and the National Statistics Committee was created, as well as a common registration database on the principle of 'common window', which should simplify the registration process and eliminate bureaucracy.

b. For the purpose of entrepreneurship development and support of small and medium business ***in the sphere of taxation:***

- 1) profit tax rate was lowered for legal entities from 30% to 20% (***Ar. 106 Tax Code***) ;
- 2) two income tax rates were set – 10 and 20%, in contrast to previous progressive rates (from 5 to 33%), and in order to protect the poorer sections of population, the non taxable minimum was raised from 400 to 650 Som a month (***Ar. 89 Tax Code***) ;
- 3) in order to substitute the already existing taxes, mandatory licensing for legal and physical persons for particular economical activity was implemented on the territory of the Kyrgyz Republic. Those who are paying taxes on the basis of the license without fail, are exempted from checks for the term of the license. (***RGKR from August 12, 1996, N 378 On Declaring Income and Paying Income Tax by Physical Persons who Perform Business Activity in the Kyrgyz Republic on the Basis of the License.***)
- 4) a simplified taxation system was implemented for the subjects of small business. This system allows paying a single tax instead of paying profit tax, sales tax, road tax, deductions to the Fund of Emergency Situation Prevention and Liquidation for legal entities, and income tax and profit tax for physical persons. (***Law on Simplified Taxation of Subjects of Small Entrepreneurship from December 7, 2001, N 102***);
- 5) amendments were made to the Tax Code of the Kyrgyz Republic, that make provisions for VAT exemptions for technological equipment, imported as contribution to the Charter Capital (Fund) in accordance with the specified list, and VAT exemptions for medical supplies, which should significantly lower the price for medicines.

Agreements for the Avoidance of Double Taxation were concluded with more than 19 countries for the purpose of attracting investments to the economy.

D. Rights to Land

1. Principles of Land Legislation

Land Legislation of the Kyrgyz Republic is based on the following principles:

- keeping land as natural object, essential for life, development and activity of the people of the Kyrgyz Republic;
- guaranteeing state and environmental safety;

- forming land market and its effective functioning;
- observing and protecting rights and legal interests of land plot owners and land users;
- effective land use;
- purposeful land use;
- priority of agricultural land;
- availability of information about rights to land;
- state support of use and protection of land;
- prevention of land damage of eliminating its consequences;
- payment for land;
- equality of all the types of land ownership.

2. Right to Land Plot of Foreign Individuals

a. Allocation and transfer of agricultural land into ownership of foreign individuals is not allowed. Transfer of agricultural land to a foreign individual in accordance with the procedure of universal succession can lead to consequences set forth by paragraphs 2 and 3 of Article 37 of the Land Code.

b. Land within the precincts of settlements (towns, villages, rural settlements) can be allocated to foreign individuals, foreign legal entities on the rights of fixed (temporary) use or transferred into ownership in case of their crediting of housing construction based on mortgage according to the Law of the KR on Mortgage.

c. Land plots outside the precincts of settlements, except agricultural land, can be allocated on the right of fixed (temporary) use by the Government of the Kyrgyz Republic. In other cases land plots outside the precincts of settlements are allocated, transferred of foreign individuals for fixed (temporary) use according to the procedure of universal succession.

d. When land plots on the territory of the Kyrgyz Republic are allocated for use by other state the size of fee is determined by intergovernmental contract, concluded between the Kyrgyz Republic and this state. Intergovernmental contracts on allocation of land plots for use are subject to ratification by the Jogorki Kenesh of the Kyrgyz Republic. (*Ar. 8 Land Code*)

3. Land-tax. Real Estate Tax. Payment for Land Use. (See Report № 2 Taxation)

For foreign individuals the rate of rent for use of land, except agricultural land, is established depending on the rate of land-tax subject to ratio approved by the Government of the Kyrgyz Republic. (*Ar. 8 Land Code*)

E. Licensing

1. Relations dealing with licensing are regulated by the Law of KR on Licensing, and by the Resolution of the Government of the Kyrgyz Republic # 260 from May 31, 2001 on Licensing of Particular Types of Entrepreneurial Activities.

a. Licenses are issued to all individuals (including foreign and those without citizenship) on equal grounds and terms, regardless of the type of ownership,

departmental interests or location of entrepreneurs. Activity related to state monopoly is an exception.

b. Receiving a license is necessary for performing only those types of activities and actions that are subject to licensing in accordance with the Law.

c. Licenses are issued by Ministries, agencies and other authorized management bodies (licensors) supervising this type of licensed activity identified by legislative acts and by the Government of the Kyrgyz Republic.

d. Licenses received in the other countries, are acknowledged on the territory of the Kyrgyz Republic if a corresponding intergovernmental contract was concluded.

2. Documents Needed for Getting a License:

1) application for issuing a license;

2) document confirming payment for application consideration and issuance of a license.;

3) copy of the Certificate of State Registration:

- by the bodies of the Ministry of Justice of the Kyrgyz Republic – for legal entities;

- by the bodies of State Statistics – for physical persons;

- in the corresponding state – for foreign individuals and foreign legal entities, that are not registered as legal entities or individual entrepreneurs in Kyrgyz Republic;

- copy of the document, confirming that the applicant has been given an identification code number of a taxpayer and payer of insurance fees.

4) Documents, presented by foreign individuals, if the necessity arises, must be legalized in accordance with the procedure set forth by legislation.

5) The licensee shall be prohibited to demand from the applicant submission of documents not set forth in the regulations on licensing of the corresponding types of activity.

6) Licenses are issued no later than one month after the application requiring fee had been submitted. Licensing fee cannot exceed three minimum monthly wages. In case of re-registering a license the fee is taken in the amount of one minimum monthly wage, as it is set forth by Ar. 17-2 of the Law on Licensing.

F. Customs Procedure (Treatment)

1. Customs Procedure is regulated by the Customs Code of the KR.

2. When importing goods to the customs territory under the customs procedure ‘issue of goods for free circulation’ the following fees are collected:

a. Customs duties for customs registration - 0.15% from the customs cost of goods;

b. Import duty on rates, set forth by the Law of KR on Customs Rate of the Kyrgyz Republic on Imported Goods for the Year 2003, from March 5, 2003, #50;

c. Excise tax for products such as alcohol and tobacco, according to the rates set forth by the Law of KR on Basic Rates of Excise Tax on Excisable Products, Imported and Produced by Legal Entities and Physical Persons in the Kyrgyz Republic for the Year 2003, from January 10, 2003, #2.

d. Value Added Tax (VAT) according to 20% rate from the customs cost of the product, without deduction of customs duties, and for excisable products – without deduction of excise tax.

e. In accordance with the Agreement on Free Trade Zone, a zero customs duty rate is used for goods produced or imported from the territory of the states participants of CIS. The most favorable procedure is used for countries-members of WTO and some other countries.

H. Labor Relationships

1. Recruiting Foreign Citizens

1) Foreign citizens, permanently residing on the territory of the Kyrgyz Republic, can work as laborers and white-collar workers at the enterprises, institutions and organizations, or perform any other labor activity on the grounds and according to the procedure set forth for the citizens of the Kyrgyz Republic.

2) Foreign citizens can be hired as workers by foreign investors and can be included into management bodies of a legal entity with foreign participation.

3) Labor relationships between foreign investors and their workers, who are not citizens of the Kyrgyz Republic, must comply with the standards, set forth by the Labor Code of the Kyrgyz Republic. (*Article 87 Labor Code*).

2. Wages

1) Level of wages in Kyrgyzstan depends on the sphere of economic activity and cannot be lower than the minimum wage determined by the Government of the KR (100 Som) (*Decree of the President of the KR from December 24, 1997. approved by the Government #339 on Minimum Wage and Regulating the Terms of Paying for Labor*).

2) In addition to wages some companies provide benefits: free medical care, for paying for public utilities, free or paid meals, for public transportation, annual bonuses, pensions for ages, etc.

Average wages according to the types of economical activity, Som.

| | |
|----------------------------|--------|
| Mining Industry | 2739,4 |
| Processing Industry | 2200,8 |
| Agriculture | 733,1 |
| Construction | 2007,4 |
| Transportation | 2451,8 |
| Communications | 2451,8 |
| Trade | 1411,6 |
| Geology | 1257,1 |
| Municipal Economy | 1212,6 |
| Medicine | 753,3 |
| Education | 932,4 |
| Financial Activity | 5551,8 |
| Executive Bodies Apparatus | 2451,8 |

Paid Holidays:

1. New Year (January 1).
2. Christmas (January 7).
3. Women's Day (March 8).
4. Noorus (March 21).
5. May Day (Workers' Day) (May 1).
6. Constitution Day (May 5).
7. Victory Day (May 9).
8. Independence Day (August 31).
9. Day of Great October Socialistic Revolution (November 7)
10. Orozo-Ait and Kurman-Ait (according to the Lunar calendar).

I. Disputes Settlement

1. Article 18 of the Law on Investments in the Kyrgyz Republic covers disputes settlement.

a. The investment dispute shall be settled in accordance with any applicable procedure preliminarily agreed by the investor and government agencies of the Kyrgyz Republic, which shall not prevent the investor from seeking other legal remedies in accordance with the legislation of the Kyrgyz Republic.

b. In absence of such agreement, the investment dispute between the authorized government agencies of the Kyrgyz Republic and investor shall be settled to the possible extent by means of consultations between the parties. If the parties fail to settle their controversy amicably within three months from the first written request for such consultation, any investment dispute between the investor and government agencies of the Kyrgyz Republic shall be resolved by the judicial bodies of the Kyrgyz Republic, unless the party of a dispute between the foreign investor and government agencies of the Kyrgyz Republic requests to review the dispute in accordance with one of the following procedures by submitting the appeal to:

1) the International Center for Settlement of Investment Disputes (ICSID) on the basis of the Convention on Settlement of Investment Disputes between States and Nationals of other States or the rules regulating the use of additional means for holding hearings by the Secretariat of the Center; or to

2) the Arbitration or the International Temporary Arbitration Tribunal (Commercial court) created in accordance with the arbitration rules of the United Nations Commission for International Trade Law.

c. If the investment dispute is submitted to the arbitration mentioned in subparagraphs a) and b) of paragraph 2 of Article 18 of the Law on Investments, the Kyrgyz Republic shall relinquish its right to claim preliminary application of all internal administrative or judicial procedures before submitting the dispute to the international arbitration.

d. Any investment dispute between foreign and local investors shall be reviewed by judicial bodies of the Kyrgyz Republic unless the parties agree on any other procedure of dispute resolution, including, but not limiting themselves to, internal and international arbitration.

e. Disputes between foreign investors and individuals or legal entities of the Kyrgyz Republic may be settled by the agreement of the parties by the court of

arbitration, including by that located abroad. In absence of such agreement, the disputes shall be settled according to the procedure set forth by the legislation of the Kyrgyz Republic.

J. Insurance Services

1. The Insurance Services Market is regulated by the following laws and by-laws:
 - Law of the Kyrgyz Republic on Organization of Insurance Activity in the Kyrgyz Republic,
 - The Civil Code of the Kyrgyz Republic, Chapter 46,
 - Law of the Kyrgyz Republic on Licensing,
2. The following companies, working at the Insurance Services Market, provide nongovernmental insurance services:

| Name | Address |
|---|--|
| Open JSC «Insurance Company Kyrgyzstan» | 76 «B» Moskovskaya St. tel: +996 (312) 282 559; 282 815 E-mail: insurance@exnet.kg |
| Closed JSC «Insurance Company KAMKOR» | 105, Baitik Baatyra St. tel.: +996 (312) 289 374, 284 693 |
| Limited Liability Company «London-Bishkek» | 80 Manas Pr. tel.: +996 (312) 541 373, 541 591, 542 511 |
| JSC «Insurance Group of Central Asia» | 191 Baitik Baatyra St., Hotel Hyatt, room 103, tel.: +996 (312) 681 121 |
| Close Ended JSC Insurance Company «Zdorovie» | 181 Toktogula St. Tel: +996 (312) 211 936; 218 240 |
| Open JSC «Insurance Company Alliance-Asia West» | 26 Orozbekova St. tel.: +996 (312) 623 558, 624 609, 624 686 |
| Close Ended JSC «English-Kyrgyz Insurance Company» | 390 Frunze St. Tel: +996 (312) 213 222; 660 047 |
| Closed JSC Insurance Company «Insurance Ayan» | 37 «A» Logvinenko St. Tel: +996 (312) 666 660; 665 866 |

M. Establishing an organization (see Report №1 Organizational and Legal Structures of Legal Entities)

Allowed forms for establishing an organization:

Entrepreneurial activity can be in the following organizational and legal forms:
 individual entrepreneurship;
 general partnership;
 limited partnership;
 limited liability company;
 additional liability company;
 joint stock company (open and close ended);
 representative office;
 affiliate.