Investment opportunities in the Kyrgyz Republic
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GENERAL INFORMATION

Official name: Kyrgyz Republic

Form of government: Parliamentary Republic

Language: Kyrgyz (state) Russian (official)

Currency: KGS
1 USD = 61,00 KGS
1 EURO = 68,00 KGS

Financial and cultural centers: Bishkek city and Osh city

Capital: Bishkek

Population: 5,8 million

Time zone: UTC +6

Total territory: 199,9 thous. sq. km

Average age: 27 years

Climate: moderate continental
FAVOURABLE INVESTMENT CLIMATE

LIBERAL LEGISLATION

- Equal conditions for activity of foreign and local companies
- No intervention into business activities Guarantees of export or repatriation of investments, property and information outside the Kyrgyz Republic
- Guarantees of protection from expropriation of investments and compensation of losses to the investors
- Freedom of monetary operations, etc.
- Wide protection of foreign investors rights by law on investments of the Kyrgyz Republic
- Access to all sectors of economics – freedom to invest in and run any business not prohibited by the law
- Participation in privatization, purchase of shares and securities of Kyrgyz companies
- Repatriation of investment profit, export of proceeds, assets, intellectual property and information
- Freedom of choice of form and objects of investments
FAVOURABLE INVESTMENT CLIMATE

BILATERAL INTERNATIONAL AGREEMENTS

Double taxation risk protection

- Russia, Kazakhstan, Austria, Turkey, Korea, China, Canada, Switzerland, Belarus, Uzbekistan, Tajikistan, Ukraine, Malaysia, Mongolia, Poland, Finland, Moldova, Latvia, Lithuania, Pakistan, India, Germany.

Foreign investment encouragement and protection

- China, Turkey, USA, Iran, Pakistan, Malaysia, Armenia, Azerbaijan, France, Ukraine, Indonesia, Uzbekistan, Great Britain, Kazakhstan, Georgia, India, Germany, Switzerland, Belarus, Mongolia, Tajikistan, Swiss, Moldova, Finland, Austria, the Czech Republic, Slovakia, Netherlands and UAE.
WHY THE KYRGYZ REPUBLIC?

10 FACTORS OF SUCCESSFUL INVESTMENTS IN THE KYRGYZ REPUBLIC

- Stable macroeconomic indicators and growth in the next 3 years
- Strategic location and potential of foreign markets
- Beneficial cooperation with international organizations
- Visa-free access to 61 countries
- The lowest tax rates within the region
- Free international trade
- Cheap and skilled labor force
- Free economic zones with tax and customs preferences
- The easiest place to do business within the region
- Cheap electricity
TOURISM

- Visa free travel for **61 countries**
- **Large potential** of the industry
- More than **2 million foreign visitors** in a year
- Over **67 thousand** operating companies
- Export of the services is 560,0 million dollars, 7,8% of country’s GDP
- **5,2%** of all workers of the country
- Unique **Issyk-Kul Lake** is the second largest alpine lake in the world
- The country is crossed by the **Great Silk Road** which attracts thousands of tourists

ELECTRIC - POWER INDUSTRY

- The total hydropower potential of the Kyrgyz Republic is **142.5 billion kWh**
- The percentage of capacity development is only **10%**
- There is a big potential for development of **small-scale and medium-scale power generation**. Water resources of minor rivers are developed for only **3%**
- Hydroelectric potential allows to provide electric power for both, our country and nearest countries
- The sector provides **10%** of income to the republican budget
- Hydraulic power industry – **53%** of total volume of energy resources
**ECONOMIC SECTORS**

**AGRICULTURE**

- Total cultivation area, occupied with agricultural crops is **1.2 mln ha**
- Contribution to the economy – **17.5 %** of GDP
- **33 %** of the country’s workforce is employed in the industry
- More than **357 thousand** agricultural subjects is registered in 2012
- The annual gross output of products is **3.5 billion dollars**
- All agricultural products are **exempted from 12 % VAT** (Value Added Tax)

**CONSTRUCTION**

- The construction sector of the Kyrgyz economy has a **high potential**. The scale of construction in the Kyrgyz Republic increases every year
- More then **700** operating companies
- Contribution to GDP of the country is **5.7 %**
- In 2013, the growth of the industry was **19 %**
- Forecast: in the next 3 years, industry growth will be **21 %**
- Over the past five years in the Republic was put into operation **42.9 thousand** apartments with a total area of 4263.5 thousand sq. meters
ECONOMIC SECTORS

SEWING INDUSTRY

- Increase in volume of output – **59% in 5 years**
- Output of product per year – **375 mln USD**
- Employment in the sector - **90000–150000 person**
- Average monthly wage – **170 USD**
- Export directivity – **90%** of products go to markets in Russia, Kazakhstan and Europe
- Clothes export – **2nd place** by volumes after gold
- More than **35000** continuing companies
- There is a **simplified taxation** system on a patent

MINING

- More than **60** gold deposits have been explored in the country
- There are **7** large deposits of antimony and **3** major deposits of tin and tungsten
- Geological reserves and projected reserves of coking coal reach **260 million tons**
- **15** oil and gas fields are developed in Jalal-Abad, Osh and Batken oblasts
- Hundreds of deposits of construction material, mining and chemical raw materials. Three operating cement plants with capacity of **1.37 million tons per year**, dozens of brick factories
Investment projects
The total hydropower potential of the Kyrgyz Republic is 142.5 billion kWh. The percentage of capacity development is only about 10%.

**Perspective hydroelectric power plants:**
- Kulanak cascade (5 HPP) – (439 MW) – USD 240 mln
- Kazarman cascade (4 HPP) – 1155 MW – USD 1,565 bln
- Cascade on At-Bashy River (7 HPP) – 276 MW – USD 551 mln

Construction of 55 small hydroelectric power plants with a payback period of 6 to 8 years:
- “Sandyk” (10 MW) – USD 12 mln
- «Ala-Archa» (1600 kW) – USD 1,8 mln
- «Barskoon» (2000 kW) – USD 1,8 mln
- «Alamedin» (3200 kW) – USD 4,8 mln
- «Kochkor» (5650 kW) – USD 8,6 mln
- «Orto-Tokoi» (21 MW) – USD 25 mln

**Legislation:**
According to the Kyrgyz legislation, hydro power plants with an installed capacity of less than 30 MW should be built, owned and operated by the private sector. Larger plants will be organised in Private Public Partnerships, or developed by the Kyrgyz government.
MODERNIZATION AND RECONSTRUCTION OF INTERNATIONAL “ISSYK-KUL” AIRPORT

Description:

Located on the north coast of the lake "Issyk-Kul" resort area, 5 km northeast of Tamchy settlement and 35 km west of Cholpon-Ata city

Reconstruction of "Issyk-Kul" airport will create a new tourist center and master an area of 200 hectares

Objectives:

Construction of the airport complex with capacity of 200 passengers per hour; construction of airport infrastructure; construction of refueling complex; installation of air navigation equipment; arrangement of the forecourt

Purpose of the project:

Expansion of the technical base of "Issyk-Kul" airport to the international level, according to ICAO standards

The cost of the project is USD 62.8 mln
The total land area—36.4 thousand square meters
Access to all utilities (water, central sewerage, electricity, etc.)

Objective:
“Issyk-Kul” Hotel reconstruction and construction for international events at the national level and for accommodation of distinguished guests from foreign countries.

Activities: Preliminary design of the reconstruction of the hotel was prepared—Investment attracting for the project implementation

INVESTMENT PROJECT

RECONSTRUCTION OF ISSYK-KUL HOTEL

Project description:

“Issyk-Kul” Hotel is located in the southern most environmentally clean foothills of Bishkek

The total area of the hotel — 12.9 thousand square meters
Estimated project cost — USD 64.92 mln:

- USD 19.35 mln - for reconstruction of existing buildings (hotel, restaurant);
- USD 12.16 mln - for construction of lobby, halls receptions and meetings, banquet halls, superstructure 7 and 8 floors with hotel rooms;
- USD 2.21 mln - for underground parking for 170 cars
- USD 21.88 mln - for new construction of 16 storey hotel block presidential suites with underground garage
- USD 9.32 mln - for new construction congress hall with underground garages

The project provides for a complete reconstruction of the existing building, the construction of the octagonal building for 38 superior (first) class hotel rooms (where 8 of them are “Presidential Apartments”) and construction of a Congress Hall with underground parking of 5828 square meters. Total hotel capacity in this case would increase up to 250 rooms.
INVESTMENT PROJECT

CONSTRUCTION OF A SKI RESORT

Description:

Construction of a ski resort, that meets international quality standards in the provision of services with special status all-season recreational area.

The construction site is located in the depths of the mountain range, 140 km from Bishkek.

Assets: 916 hectares of land, ski tows, buses, wooden cottages, brick houses.

The total length of ski runs - 27 km.

Payback of the project: 6 years.

Return on sales net profit margin - 21%.

Goal: creation of world-class mountain resort, which will ensure the possibility of year-round recreation for the citizens of Kyrgyzstan, as well as visitors from abroad.

The required investment amount: USD 1.5 mln.
INVESTMENT PROJECT

RECONSTRUCTION OF CASTING-ROLLING FACTORY

Project description:

Project offers modernization of existing JSC “BMZ”

Sales market: domestic markets, the near abroad

Total project cost: USD 30 mln

Gross profit: USD 72 mln
Net income: USD 41.5 mln
Profit margin: 18,5%

Objectives:
Offers expansion of castings production, mastering of a new types of casting, mastering of production rolled section

Investment type: participation interest or sale of the enterprise’s part at a favorable price
INVESTMENT PROJECT

CONSTRUCTION OF COTTAGE ECO-VILLAGE «ALATOWN»

Project description:

The project implementation involves the use of the following sources of funding:
- Own funds: USD 2 169 000
- Foreign investments: USD 17.5 mln

At least 30% of total is planned to be financed through forward sales

Assets: area - 64 hectares

Return on invested capital: 33%

Efficiency indicators of the project:
- Payback period - 3.3 years;
- NPV of the project - 15%

Objectives:
- Is 6 kilometers from Bishkek, capital of Kyrgyzstan
- The optimum height for Life - 1200 meters above sea level
- Construction of an elite cottage town "Alatown" in accordance with the advanced construction technologies and high environmental requirements; with the formation of a new type of residential community.
CONSTRUCTION OF AGRICULTURAL LOGISTIC CENTER

Description:

Planned production: Meat, vegetables and fruits

Markets: Kyrgyzstan, Kazakhstan, Russia, China.

Estimated project cost – USD 40 mln including:
- Center for the turnover and exports of agricultural products (refrigerated warehouse, meat processing system, certification laboratory) – USD 34 mln;
- Cultivation chamber (cultivation of seeds, greenhouses, hydroponics systems, certification laboratory) – USD 6 mln

Payback period – 6 years.

Objective:
Construction of a logistic center for the storage, processing and delivery agricultural products to consumers.

Activities:
- Provision and registration of the tract of land by the municipal authorities;
- Investment attraction for the project implementation;
- Start of Construction.
INVESTMENT PROJECT

LAUNCH OF SUGAR-MILL

Project description:

Planned production: sugar

Ak-Suu Vita sugar factory offered for sale

Enterprise capacity:
- 900 tons/day;
- 300,000 tons/year

Markets:
23% - domestic market;
77% - foreign market

Estimated project cost – USD 56 mln including:
- factory purchase – USD 27 mln;
- floating capital – USD 29 mln

Payback period – 2.2 years

Objective: Providing domestic produced sugar and ensuring food security of the country

Activities:
- Investment attracting for the factory
- Modernization and production start
INVESTMENT PROJECT

PRODUCTION OF PASTERIZED JUICE

Description:
Production of a large assortment of juices from blackberries, cherries, plums and raspberries up to 1 350 tones per year

Sales market: Russia, Kazakhstan and domestic market

Total project cost: USD 469 500

Objectives:
Purchase of a new production line of pasteurized juice in “Bag in Box” package with capacity of 500 liters per hour

NPV: USD 242 363
IRR: 20%
Payback period: 2.6
PROCESSING OF AGRICULTURAL PRODUCTS

Project description:

Planned production: processing of fruit vegetables and production of canned goods (jam and juice)

Sales market: Russia and Kazakhstan

Total project cost: USD 3 mln

Assets: winery and distillery on the area of 3,4 hectares, equipment, premises, land property – 72 hectares

ROA - 103,4%

Annual net profit - USD 3.1 mln

Investment type: participation interest or sale of the enterprise’s part at a favorable price

Objectives:

• Processing of fruits and vegetables, production of canned goods (jam, juice and squash);
• Growing vegetables in a greenhouse (cucumbers, tomatoes, flowers);
• Biogas generation, fodder and fertilizer production;
• Production of livestock, poultry and crop products
PRODUCTION OF SUNFLOWER OIL

Project description:

Production of sunflower oil from ecological products, including the process of purification, filtration, filling and capping in plastic and glass containers, various capacity.

Sales markets: Russia, Kazakhstan

Total project cost: USD 450 000

Payback period: 1.5 years

Discount rate: 17.8%

Income: USD 1.3 mln

Investment type: participation interest or sale of the enterprise’s part at a favorable price

Objectives:
Creation of a high-tech production of various export-oriented sunflower oil in European quality of ecologically products.
INVESTMENT PROJECT

RAW-COTTON PROCESSING AND PRODUCTION OF VEGETABLE OIL

Project description:

Planned production: vegetable oil and granulated compound feed in bags

Sales market: Russia, China, Kyrgyzstan

Assets: Factory and equipment

Total project cost – USD 43.69 mln

Production of deodorized refined vegetable (cotton and sunflower) oil

Production of cotton fiber, compound feed, oilseed meal, lint, motes.

Objectives:

Purchase of oilseeds and raw cotton for the production of vegetable oil and other products

IRR - 16 %

Payback period - 3.5 years
MEAT PRODUCTS PROCESSING

Project description:

Planned production: meat products
Sales market: Kyrgyzstan, Kazakhstan, Russia
Total project cost: USD 11.324 mln
Assets: equipment, buildings, shops
NPV – USD 10.9 mln
IRR – 24%, playback period – 5 years

Objectives:
Creation of meat cluster in production basis of meat processing and packing factory “Toshtuk-Karakol” in Issyk-Kul oblast

Increase a production capacity of meat processing and packing factory to 50 tons/day
INVESTMENT PROJECT

EXPANSION OF CANNING FACTORY

Project description:

Sales markets: Russia Federation, Kazakhstan and domestic market in Kyrgyzstan

Total project cost: USD 399,764

NPV: USD 302,627
IRR: 25%
Payback period: 2.3 years

Objectives:
Expansion of canning factory and provision of the population with agricultural canned products

Investment type: participation interest or sale of the enterprise’s part at a favorable price
HONEY PRODUCTION

Project description:

Creation of sanitary - medical complex for various procedures: anti therapy sanitation of bee products, cultivation of medical and nectar bearing plant

Sales market: Kazakhstan, China, South Korea and United Arab Emirates

Total project cost: USD 196,555

Cost of goods sold: USD 241,000
Gross profit: USD 910,700
Income: USD 750,700
Profit margin: 65%

Investment type: participation interest or sale of the enterprise’s part at a favorable price

Objectives:
Processing and realization of ecologically clean honey products: bee glue, bee bread, targeted for export to another countries
INVESTMENT PROJECT

PRODUCE BLACK PLUMS

Project description:

Project has all necessary resources - large amounts of fruits, cheap labor, facilities for produce needs

Sales market: Russia, Tajikistan, European countries

Total project cost: USD 350,000

Cost of goods sold: USD 2.094 mln
Gross profit: USD 10.482 mln
Net income: USD 7.177 mln
Profit margin: 68,5%

Natural-dried and packaged, ecologically dry fruits are in great demand in the international market

Objective:
Export of natural-dried and packaged fruits

Investment type: participation interest or sale of the enterprise’s part at a favorable price
CONSTRUCTION OF FARM OF PRODUCTION YAK MEATS

Project description:

Improve the genotype of yaks, organize research and production center in the mountains and also create a mini plant for processing of products and raw materials for the food, pharmaceutical and perfume industries.

Sales market: CIS countries, Asia, Europe

Total project cost: USD 1.505 mln

Net income: USD 622,814

Investment type: participation interest or sale of the enterprise’s part at a favorable price

Objectives:
Purchase of special equipment for processing of medical products and feeds
EXPANSION OF MILK PROCESSING FARM AND PRODUCTION OF MILK POWDER

Project description:

The advantage of processed milk is its fat content - 8%, which is formed by the mountain plain grassland forbs.

Sales market: Domestic market

Total project cost: USD 103,446

Cost of goods sold: USD 103,446
Gross profit: USD 2,648,316
Net profit: USD 931,033
Profit margin: 25.3%

Objective:
Provision of the local population with dairy products and production expansion of private dairy factory “Abel”

Investment type: participation interest or sale of the enterprise’s part at a favorable price
INVESTMENT PROJECT

PROCESING OF COTTON LOCAL RAW MATERIALS, CLEANING AND FOOD PRODUCTION

Project description:

Replenishment of current assets in the organization, preparation, procurement of raw cotton

Sales markets: annually LLC «Cotton Textile factory» in Turkey exports Cotton fiber in amount of USD 4,685 mln or 71.17% of the total production

Productive capacity: 170 mln tons of raw cotton and 80 tons per day of processing of cotton seeds on cottonseed oil

The total cost of the project: USD 3 mln

Objective:
Better utilization of production capacities for deep processing of local raw materials, cotton cleaning and food production

Profit – USD 853 632
Net income – USD 583 333
Gross income – 28, 83%
Annual turnover – USD 5 mln
For detailed information on projects refer to

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