

# Kyrgyz Republic

In BEEPS V, the top three business environment obstacles identified by Kyrgyz firms were political instability; corruption; and electricity issues (Chart 1). Large and manufacturing firms felt more constrained by competitors' practices in the informal sector. In BEEPS IV, competitors' practices in the informal sector were among the most binding business environment constraints, instead of political instability.

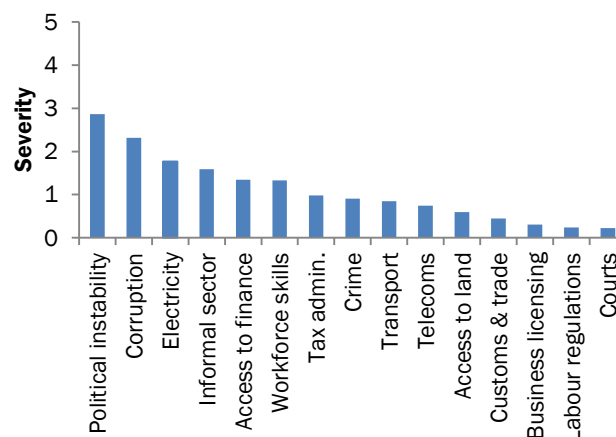
## Corruption continues to be a challenge, electricity issues improve

**Political instability** was identified as a major obstacle for Kyrgyz firms. The political and social instability of 2010-11 led to a change of government following widespread public demonstrations. The country emerged from a period of political upheaval with a more democratically oriented political system and a reform-minded government.

**Corruption** has always been one of the major obstacles for Kyrgyz firms. However, concerns about corruption rose dramatically in BEEPS V. A significantly higher share of firms reported that an informal payment was expected or requested when obtaining an electrical connection (50%, up from 37.3%), an import licence (65.5%, up from 23.2%), an operating licence (58%, up from 22.6%) or when dealing with tax administration (53%, up from 35.9%). Only in the case of construction-related permits did this share decline, from 55.8% to 43.1% (Chart 2). Moreover, in 4 out of 5 named cases this share was the highest among the 30 surveyed countries, except for construction-related permits. With 2.9% of contract value, the Kyrgyz Republic was also among the leaders in the value of informal payments made by enterprises to secure government contracts. There was a silver lining, however: firms in the Kyrgyz Republic viewed corruption as more of a problem than a solution.

Since BEEPS IV there were some improvements in the area of **electricity**, which was no longer the biggest obstacle. While the wait for an electrical connection more than doubled, from 25 days to almost 55 days, and the share of firms that experienced power outages in BEEPS V increased to 72.9% (the third highest among the surveyed countries, after Kosovo and Montenegro), the frequency and duration of outages decreased substantially. In BEEPS IV, an average firm in the Kyrgyz Republic would experience 6.7 outages in a typical month, lasting 7.4 hours each. In BEEPS V, it would experience 1.6 outages per month, lasting 3.7 hours each. The losses from power outages also plummeted from 13.7% to 5.6% of total annual revenue (Chart 3). Overall, SMEs experienced greater losses from power outages than large firms.

Chart 1. Business environment obstacles



Estimated for a hypothetical "average" firm. Higher values correspond to a weaker business environment.

Chart 2. Informal payments expected or requested

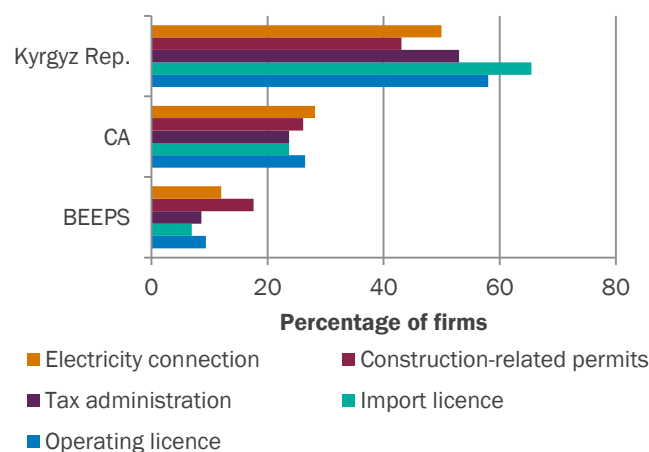


Chart 3. Losses due to power outages

