



**Assessing the Business  
Environment for Women's  
Entrepreneurship  
Development  
in the Kyrgyz Republic**

**Rafkat Hasanov  
Saltanat Biybosunova  
Saviya Hasanova**

**Working Paper No. 3**

**Assessing the Business Environment for Women's  
Entrepreneurship Development in the Kyrgyz Republic**

**Rafkat Hasanov**

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**Saviya Hasanova**

**International Labour Organization**

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## Foreword

This Working Paper No 3 of the ILO Sub-regional office in Moscow contains the report on assessing the business environment for women's entrepreneurship development in the Republic of Kyrgyzstan. The scarcity of information on the environment for small and medium size enterprises in general, and on women's entrepreneurship in particular, is a real challenge within the Central Asian region. This scarcity of information is what motivated the study.

This is the first assessment report developed under the ILO/UNECE joint project 'Assessing the Business Environment for Women Entrepreneurship Development in Countries of SPECA region, Central Asia' and the ILO/Netherlands project on 'Boosting Youth Employment using an integrated approach in the framework of DWCP in Azerbaijan and Kyrgyzstan.' It was conducted by a group of national experts from Kyrgyzstan, using the methodology presented in the Consultant's Guide on Assessing the Business Environment for Women's Entrepreneurship Development, 2008. It was undertaken at the request, and in close collaboration with the International Labour Organization's (ILO) Women's Entrepreneurship Development and Gender Equality (WEDGE) Programme.

In Kyrgyzstan, as in most Central Asian countries, the Small and Medium Enterprise (SME) sector is developing rapidly and creating new employment opportunities. In conditions of economic crisis, SMEs are becoming the main source of income for many women in Kyrgyzstan as many Kyrgyz women engage in business start-ups to provide support for their families. Their performance as entrepreneurs strongly depends on the effectiveness of the business environment in the country. This report provides an assessment of that environment.

On the basis of a desk review and field surveys in three localities, the authors of the study consider the key features and trends of private sector development in Kyrgyzstan. They analyse the relevant policy, legal, regulatory and institutional frameworks; and examine the ways in which the business environment affects SME development - with a particular focus on women run enterprises.

The report gives particular consideration to gender-specific aspects of entrepreneurship development in Kyrgyzstan; to the barriers and constraints (or opportunities) experienced by young women entrepreneurs. The authors seek to identify the specific challenges facing women-run enterprises operating in different economic sectors and geographic localities in terms of their access to resources, markets, finances and legal support.

It is envisaged that this first assessment report will be complemented by a series of similar studies in other CIS countries, which will form the basis for a comparative analysis and the development of consolidated action-oriented recommendations for the ILO constituents.

I would like to specifically thank the Small Enterprise Development (SEED) team at ILO HQ and the staff of the joint ILO and United Nations Economic Commission for Europe (UNECE) project 'Assessing the Business Environment for Women Entrepreneurship Development in Countries of SPECA region, Central Asia' for developing the assessment tool and initiating the assessment exercise. I also express my gratitude to the Dutch funded ILO project on 'Boosting Youth Employment' for the technical and financial assistance in carrying out the survey, analysing its results, and for using it as a resource in its work with women entrepreneurs.

Martina Lubyova  
Director, ILO Sub-regional office in Moscow

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<sup>1</sup> The ILO-UNECE project aims at identifying policies, institutions and actions for supporting women entrepreneurs in rural and urban areas in the SPECA (*UN Special Programme for the Economies of Central Asia*) region based on pilot countries (Kyrgyzstan, Kazakhstan and Uzbekistan).

<sup>2</sup> The ILO-NICP project on Boosting Youth Employment aims at developing integrated youth employment strategies (I-YES), including entrepreneurship development and mainstreaming of gender issues, based on national youth employment policies and for closing existing policy gaps (Kyrgyzstan and Azerbaijan).

<sup>3</sup> This newly developed assessment tool is based on the AfDB/ILO Integrated Framework Assessment Guide, *Assessing the enabling environment for women in growth enterprises*<sup>3</sup>, which was considerably adapted to capture specific issues so as to increase its relevance for the SPECA region.

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The authors also appreciate the views proffered by representatives of the private sector and for the opportunity to discuss selected parts of the report with them. Special thanks go to Ms. M. Taranchieva of Ayilbank, Ms. N. Simonova of the finance company ‘Senti’, Ms. Ē. Sharshakeeva of the financial company on credit unions development and support, Ms. G. Shamshieva of OOO MKK Bay-Tyshym, Ms. G. Kalikova of the legal firm ‘Kalikova & Associates’, Ms. Ę.Saydakhmatova of JSC MKK Finka, and Ms. Í. Tajibayeva of JSC MKK ‘FG Kompanion’.

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## Executive Summary

This report reviews the main parameters of the business environment for women's entrepreneurship in SME development in the Kyrgyz Republic and assesses differences in the business environment's impact on men and women who own and manage their own companies. Special focus is given to the gender aspects of entrepreneurship development; barriers and possibilities for the development of young women's entrepreneurship; as well as differences in opportunities for women entrepreneurs in large and small urban areas and in rural areas.

This report is prepared within the framework of the joint project of the International Labour Organization (ILO) and the United Nations Economic Commission for Europe (UNECE) 'Assessing the Business Environment for Women Entrepreneurship Development in Countries of SPECA Region, Central Asia'.

The methodology is based on various methods of gender analysis and includes quantitative statistical data analysis; qualitative analysis of the business environment and of business legislation; surveys of women entrepreneurs; consultations with experts, including with representatives of business associations, NGOs, government institutions, and microcredit institutions; and brain-storming with focus-groups of women entrepreneurs and experts.

The introduction outlines why an assessment of conditions for small and medium enterprise (SME) development, including women entrepreneurship is needed. It outlines the types of companies that function in Kyrgyzstan and how SMEs are classified.

The report outlines how reforms aimed at improving the business environment brought some substantive results. For instance, the government's '100 days of reform', implemented in the framework of the World Bank 'Doing Business' project has managed to reduce red-tape and administrative barriers in doing business. As a result, the Kyrgyz Republic has moved from 99<sup>th</sup> to 68<sup>th</sup> place in the 'Doing Business' rating. In 2008 it was ranked in the top ten reformed business economies.

However, an analysis of the entrepreneurs' opinions presented in Section 2 shows that the business environment is characterised by serious deficiencies, including low levels of capacity in tax administration; lack of clarity and predictability of government economic policy; high levels of corruption; difficult access to investment project financing; macroeconomic instability; unsatisfactory customs and foreign trade regulation; a high impact of crime on business development; and weak judicial and economic disputes resolution systems.

Given that the aforementioned difficulties are faced chiefly by large companies, the development of SMEs has gained attention in the Kyrgyz Republic. It is considered to be one of the most important areas in the development of the market economy and has been formally declared as one of the priorities of economic policy in the Kyrgyz Republic. The share of GDP provided by SMEs has been steadily growing and reached 45.4% in 2007.

Section 3 outlines how one of the most important socio-economic goals of society is the harmonisation of gender relations. The chief issues in Kyrgyzstan relate to the unequal status of women in the labour market, and women's unequal access to resources. A successful economic strategy depends on equal access of men and women to all factors of production. Women's entrepreneurship development may be one means to achieve these goals. At the time of writing just over 20% of executive managers of registered business entities are women.

The chief motives of why women go into business are also analysed in this section. The reasons cited include the wish to overcome problems related to the unfavourable labour market situation, high poverty levels, as well as aspirations for self-fulfilment.

In Section 4, the authors study the barriers to the development of women's entrepreneurship. Without doubt women entrepreneurs face difficulties, many of which are gender specific. Though it is important to mention that many obstacles faced by entrepreneurs are universal, women entrepreneurs tend to face these difficulties to a greater degree than men. The chief barriers include a lack of access to information, limited access to finance for business start-up, unfavourable tax policies, and the low quality of administrative procedures.



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More specifically, the lack of any official state support for women entrepreneurship, the absence of special programmes for the development of women's entrepreneurship, and the lack of recognition by the general public of the benefits women's entrepreneurship impede its development. In addition, an important result of the survey is the fact that many women interviewed believe that traditional gender perceptions still have significant impact on women's entrepreneurship development, and on a status of women in society in general.

In addition to barriers, the report also assesses the potential for the development of women's entrepreneurship in Kyrgyzstan. Section 5 assesses the development status of the institutes that support women's entrepreneurship and looks at professional organisations of women entrepreneurs and associations supporting them. It also analyses the dialogue between women entrepreneurs and the state.

In Conclusion, the report provides recommendations on how to improve the institutional and legislative system, as well as on how to remove the barriers to the development of women's entrepreneurship and SME in general.

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## List of Abbreviations

ADB	–	Asian Development Bank
CAABW	–	Central Asian Association of Business Women
AI(E)	–	Agro-industry (enterprise)
WTO	–	World Trade Organisation
HLI	–	Higher Learning Institution
NGO (NCO)	–	Non-governmental (non-commercial) organisation
MSM	–	Mass media
CDS	–	Country Development Strategy
CGA	–	Country Gender Assessment
FEZ	–	Free Economic Zones
GDP	–	Gross domestic product
CJSC	–	Closed joint-stock company
GVA	–	Gross value added
ICT	–	Information and Communication Technologies
MFO	–	Microfinance organisations
NAP	–	National Action Plan for the Achievement of Gender Equality
NBFI	–	Non-bank financial institutions
NSC	–	National Statistics Committee
SME	–	Small and medium enterprises
SRC	–	State Revenue Committee
UNDP	–	United Nations Development Programme

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## 1. Introduction

### 1.1. Purpose of the assessment

The main purpose of the assessment is to define the parameters of the environment for women's entrepreneurship and small-scale business development in the Kyrgyz Republic. The assessment also strives to show the different ways the business environment may affect men and women who own and manage their own enterprises. In addition special focus was given to:

- The gender aspects of entrepreneurship development;
- The barriers and opportunities for young women's entrepreneurship development;
- The differences in opportunities available to women entrepreneurs in large and small urban areas, as well as in rural areas.

### 1.2. Organizations that initiated the assessment

The assessment was undertaken under the framework of the joint project of the International Labour Organization (ILO) and the United Nations Economic Commission for Europe (UNECE) 'Assessing the Business Environment for Women Entrepreneurship Development in Countries of SPECA region, Central Asia'.

### 1.3. Assessment methods and tools

The assessment of the business environment for WED and writing of the current report were undertaken on the basis of the Guide 'Assessing Business Environment for Women's Entrepreneurship Development', - ECE/ILO, 2008, developed by the ILO and UNECE.

The methods of the assessment include the following:

- Quantitative statistical data analysis;
- Qualitative analysis of the business environment and business legislation;
- Surveys of women entrepreneurs;
- Consultations with experts, including with representatives of business associations, NGOs, government institutions, and microcredit institutions;
- Brain-storming with focus-groups of women entrepreneurs and experts.

The authors of the report also undertook surveys of women entrepreneurs, with the aim of studying barriers to women's entrepreneurship development. Three pilot regions were identified – Bishkek (the capital city), Tokmak (a suburban town) and Kizil Kia (a remote town in the south of the country). A total of 110 women entrepreneurs, representing businesses of different sizes and sectors were interviewed.

#### *Sources of data*

All the data provided in the current report is taken from the following sources:

- The above-mentioned survey;
- Annual report of the National Bank of Kyrgyz Republic, Bishkek 2008;
- The following publications of National Statistics Committee:
  - "Social and economic development of KR" 2001-2005, NCS 2007;
  - "ICT development in KR in 2001-2005", NCS 2007;
  - "Social and economic development of KR" in 2006, NCS 2007;
  - "Men and women of KR", NCS 2007, 2008;
  - "Small and medium entrepreneurship in KR" 2008.

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## 1.4. Relevant research and background information on women's entrepreneurship

In spite of the availability of a variety of research documents on gender equality issues in Kyrgyzstan, there are a number of issues that have not been covered.<sup>4</sup> No research has been carried out on women's entrepreneurship development in the Kyrgyz Republic, though both the general public and the donor community understand the importance of this issue. Research with a gender component has been carried out in the areas of politics<sup>5</sup>, health care, education and violence by such international organisations as the United Nations Development Programme (UNDP), the United Nations Development Fund for Women (UNIFEM), the Asian Development Bank (ADB), and Soros-Kyrgyzstan. Gender issues have also been included in research about poverty, economic development and growth.<sup>6</sup>

## 1.5. Definitions of the terms used in the report

The following terms appear repeatedly throughout the report and are used in a manner consistent with their Kyrgyz definitions:

***Small and medium-scale enterprises (SMEs)*** are classified in the Kyrgyz Republic on the basis of the number of employees and enterprise profits. This classification is approved by a Decree of the Government of the Kyrgyz Republic.<sup>7</sup>

***Small-scale entrepreneurship entities*** refers to unregistered enterprises, as well as commercial companies and enterprises whose gross revenue is less than 3 million Soms (local currency: \$1 equivalent to 43.7 Soms at the time of the study), and where the average number of employees does not exceed the ceiling set forth for various sectors of the economy.<sup>8</sup>

***Legal entities*** are regulated by the Civil Code of the Kyrgyz Republic and respective laws. Legal entities can be both commercial and non-commercial organisations. Commercial organisations include:

- business partnerships and business societies;
- cooperatives (can also be non-commercial);
- Farming enterprises (including cases where the farming enterprise is set up as a legal entity and is a commercial organisation).<sup>9</sup>

**Business partnerships and business societies** can be set up as:

- unlimited or limited partnership;
- limited or supplementary liability company;
- a joint-stock company (open and closed).

**Individual entrepreneurs** can do business on the basis of a license, or a certificate, in which case an individual private enterprise is set up.<sup>10</sup>

**Professional segregation** is the term used to describe when men and women undertake different types and levels of activity in the workforce. Women usually work in several spheres of activity (horizontal segregation)

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<sup>4</sup> Page 4, Country Gender Assessment, 2007, UN Gender Theme Group, Bishkek, 2008

<sup>5</sup> Gender Aspects of National Governance, UNDP, Bishkek, 2004; Analytical review "Gender Aspects of Local and Parliamentary Elections", Government of the Kyrgyz Republic, Swedish International Development Agency, UNDP

<sup>6</sup> Gender Issues and Economic Development Strategy in Kyrgyzstan, Women Program of "Soros-Kyrgyzstan" Foundation, Bishkek 2003; Kyrgyz Republic. Gender Differentiated Transition Period. Soviet Heritage and New Risks. Country Gender Assessment, ADB, Bishkek 2005; Country Gender Assessment, 2007, UN Gender Theme Group, Bishkek, 2008

<sup>7</sup> Decree of the Government of the Kyrgyz Republic "On the Main System of Companies Classification" as of February 17, 1998, N 78

<sup>8</sup> Law of the Kyrgyz Republic "On State Support of Small-Scale Entrepreneurship" as of October 17, 2008, N 231.

<sup>9</sup> Civil code of the Kyrgyz Republic, Part I.

<sup>10</sup> Tax code of the Kyrgyz Republic (revised)

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and hold low positions (vertical segregation). Horizontal segregation can be seen in different types of jobs. Vertical segregation can be present within one professional group.<sup>11</sup>

*The North* refers to the city of Bishkek, Chui, Naryn, Talass and Issyk-Kul regions (oblast).

*The South* refers to the city of Osh, Djalal-Abad and Batken regions (oblast).

## **1.6. Structure of the Report**

1. Introduction
2. Overview of business environment in the Kyrgyz Republic
3. Profile of women entrepreneurship development in Kyrgyzstan
4. Policy, legal and regulatory framework for women entrepreneurship development
5. Institutional systems for women entrepreneurship development
6. Conclusions and recommendations

Annexes

Bibliography

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<sup>11</sup> <http://www.a-z.ru/women/texts/spolr-e.htm>

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## 2. Overview of business environment in the Kyrgyz Republic

The majority of entrepreneurs interviewed provided an ambiguous assessment of the business environment in the Kyrgyz Republic. The country is pursuing a policy aimed at creating a favourable economic environment. However excessive political interference in business, both directly and illegally, hampers the business environment.

The government has undertaken important reforms of the business environment. Strict monetary policy has been observed since the turn of Millennium. These efforts have made it possible to achieve a certain macroeconomic stability in the country. The Law of the Kyrgyz Republic ‘On Investments’ is aimed at creating a favourable investment climate, attracting foreign investors, and ensuring an efficient utilisation of investments. It aims to ensure that there is a fair and equal environment for investors, and guaranteed protection of such investments in Kyrgyzstan. Overall, a positive enabling investment climate has been created. It has been achieved by strict compliance with the WTO rules, participation in international investment agreements, and adoption of non-discriminatory and liberal investment legislation.

The new Tax Code of 2009 has been drafted with the express purpose of easing the tax burden and significantly improving the quality of tax administration. The government has created free economic zones that provide a wide range of various preferences, such as exemption from all taxes, fees and duties for the whole period of the enterprise’s activity. Efforts are being made to improve the national banking system with the aim of enhancing its reliability and fostering confidence of the business community and investors in it. Judicial reform continues, and, among other things, an institute of arbitration has been introduced. Beginning in April 2008, a moratorium on inspections of tax services has been introduced and inspections of other state supervisory bodies have been limited.

In 2007 the President of the Kyrgyz Republic established the Investment Council under the direction of his office. Its purpose is to improve the investment climate and business environment by promoting dialogue between the state and the business community. In his address to the Jogorku Kenesh and the Government of the Kyrgyz Republic, the President of the country highlighted the need for an economic transition from consumption to investment. The main medium-term priority of the country should be the improvement of the business environment, which he argued is the key condition for steady economic development.

The government launched the ‘100 days of reforms’ aimed at the reduction of red-tape and administrative barriers in doing business. With the support of the Investment Council, a significant package of laws and regulations aimed at streamlining inspections, freeing up the licensing and regulatory system, reducing export and import procedures, and simplifying the procedures for business start-up was adopted. The objective of this programme was to improve the investment climate and ensure the growth of business activity in the country.

Table 1 reflects the progress achieved by the country in the World Bank “Doing Business” rating. As seen from the table, the Kyrgyz Republic has moved from the 99<sup>th</sup> to the 68<sup>th</sup> place in the total rating and in 2008 was listed in the top 10 reformed economies globally.<sup>12</sup> The most significant progress was achieved in issuing construction permits, company registration, and the protection of investors.

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<sup>12</sup> <http://www.doingbusiness.org>

**Table 1. Assessment of business regulation in the Kyrgyz Republic**

Ease of ...	Doing Business Rating 2009, country rating	Doing Business Rating 2008, country rating	Rating Change
Doing Business	68	99	+31
Company Registration	31	50	+19
Dealing with Construction Permits	58	170	+112
Registering Property	52	54	+2
Access to Credit	28	25	-3
Protecting Investors	11	33	+22
Paying Taxes	155	152	-3
Trading Across Borders	181	180	-1
Enforcing Contracts	52	51	-1

The improving situation is demonstrated in particular by the increasing investment into fixed assets. The rate of investment (ratio of investments to gross domestic product) reached a low of 10.8% in 2003-2004. However it began to grow from 2005 onwards and in 2007 it reached its highest rate for the previous ten years at 17.4%. In addition, in the past, investments were often supported by capital investments of the government (47.7% in 2000). In 2007 this share plummeted to 14.5%, in other words more than 85% of the investments came from *the private sector*.<sup>13</sup>

There has been a steady growth in foreign investments. In 2007, direct foreign investments constituted US\$436.8. Of significance is the fact that this figure is 30% higher than in 2006.

In 2007, the Law on State Support of Small Business was adopted. It defines general provisions on state support for the development of small business and sets forth the methods and forms by which small business are promoted and regulated by the state. The law envisions state support of small businesses being provided in conformity with the State Programme for Small Business Support and Development. It outlines cross-sectoral programmes of small business support and development, to be drawn up by the Government of the Kyrgyz Republic, local public administrations and self-governing bodies, ministries, state committees and administrative institutions. Pursuant to this law, the annual budget shall provide for allocations for benefits to offset the accelerated depreciation of basic production assets in small businesses, as well as preferential crediting and other incentives. While there has been some progress, a major part of the programme has not yet been implemented and serious efforts are required for its execution.

In addition to problems such as macroeconomic instability, high levels of corruption, and ongoing structural problems of the economy, there are a number of more specific challenges that require effective measures aimed at attracting foreign investment. Overall, the main challenges for investment and growth may be listed in order of importance as follows:

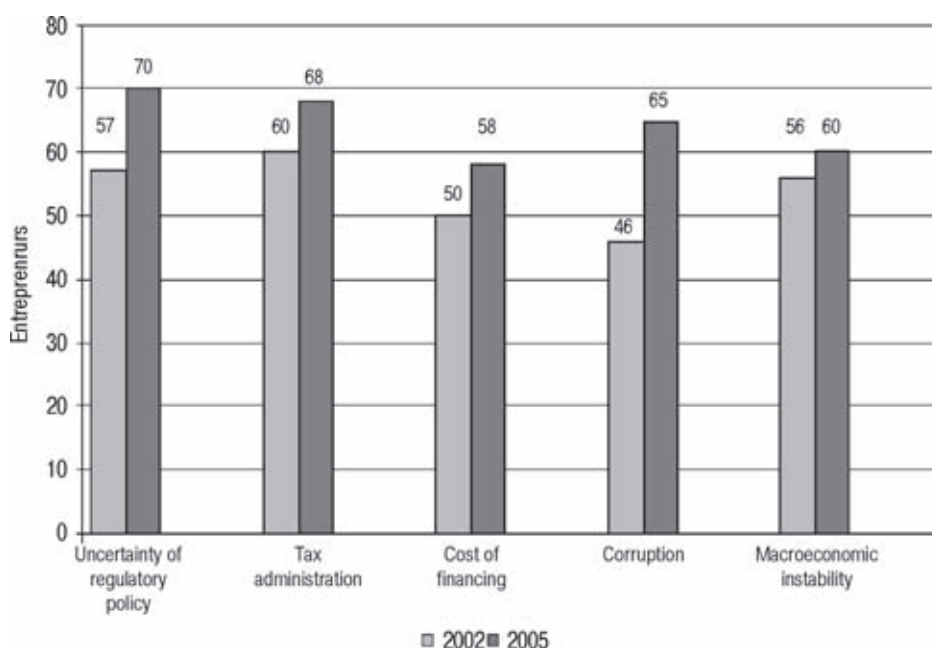
- low quality of tax administration;
- lack of clarity and predictability of the government's economic policy;
- high levels of corruption;
- difficulties in accessing investment project financing;
- macroeconomic instability;
- unsatisfactory customs and foreign trade regulation;
- impact of crime on business;
- low contract enforcement and poor qualifications among civil servants;
- weak judicial and economic disputes' resolution systems.

In conformity with BEEPS-2005 (see Figure 1), tax administration, macroeconomic stability, business regulation, the licensing and permits system, and the costs and difficulties in accessing finance were named by Kyrgyz

<sup>13</sup> Annual report of the National Bank of Kyrgyz Republic, Bishkek 2008

business people as the greatest concerns. Regulatory uncertainty also remains among the most serious problems, as regulatory framework continues to be unpredictable due to constantly changing legislation.

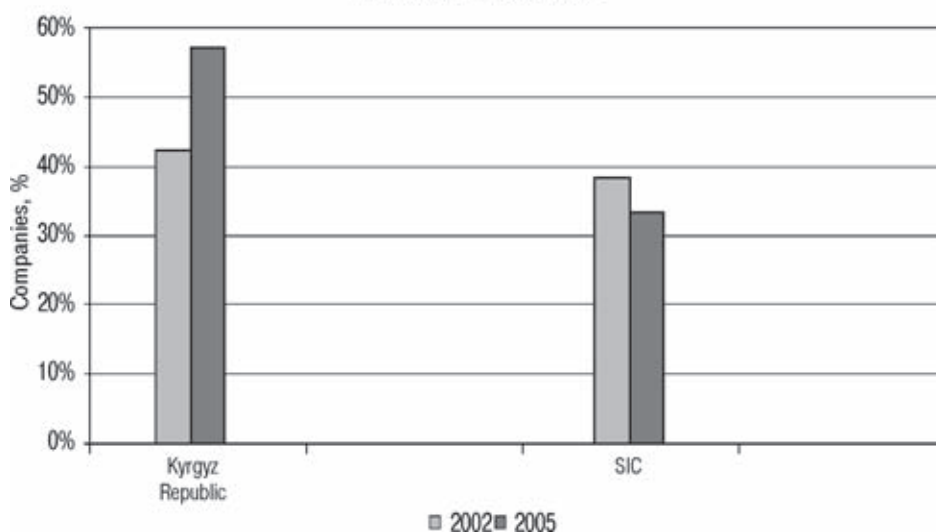
**Figure 1. Problems of doing business in the Kyrgyz Republic in 2002–2005**



It should be mentioned that by between 2002 and 2005, the responses of entrepreneurs on all indicators (except for access to finance and macroeconomic stability) reflected a deteriorating situation. The problem of corruption is especially noteworthy. In 2002, 46% of entrepreneurs considered corruption to be the main problem; by 2005 this has grown to 60% (see Figure 2), Furthermore, the level and frequency of bribes was higher than the average for the Commonwealth of Independent States.<sup>14</sup>

**Figure 2. Corruption as a problem for doing business**

Percentage of companies that indicated corruption as a problem for doing business



<sup>14</sup> <http://www.ebrd.com/country/sector/surveys/beeps.html>



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There have been no comprehensive assessments of the business environment in the Kyrgyz Republic since 2005. However, the International Business Council (IBC) performs quarterly surveys of 50 companies to identify barriers from the point of view of investors. The last of these surveys shows that significant problems still persist in the business environment. It also indicates that forecasts for the economy and for the investment climate have deteriorated.

Almost half of the investors (43)<sup>15</sup> gave negative assessments of the investment climate. In addition, the results of the survey show that access to finance and the regulatory environment continue to deteriorate. Another area where serious obstacles exist is business regulation. The level of optimism characteristic for the previous surveys is declining in regard to this sphere. The optimism after the adoption of some of the above-mentioned deregulatory laws was followed by disappointment due to the low levels of enforcement. There is one positive indicator. According to investors interviewed, the tax environment remained unchanged and was assessed by them as positive. According to the assessment, the main priority for investors was predictability of legislation and regulation. The second place was taken by the availability of qualified staff. Security, safety and terrorism, along with rates of taxation were ranked joint third. Following this were ranked business environment parameters like the level of economic growth, business regulation, business licensing, permits and tax administration.

The assessment also showed regional differences in perceptions of doing business. Companies in the south of Kyrgyzstan still hold a higher opinion of the economic situation and investment climate than those from the north.

A number of the major laws that underpin the business climate within the country are gender-neutral and therefore affect men and women entrepreneurs equally. These laws include the Land Code of the KR, the Tax Code of the KR, along with bank laws and privatisation laws etc. Under the normative legal documents mentioned above, all citizens of the Kyrgyz Republic have equal rights and responsibilities. The Tax Code covers all the rights and responsibilities of the taxpayer, the tax authorities and their representatives. It also outlines the types of taxes and benefits provided to certain categories of people. The Code applies equally to everyone, irrespective of gender. However, Article 167 envisages a number of benefits for mothers of large families.<sup>16</sup>

Taken as a whole, the results of the assessment provide ambiguous results as to the success of the reforms aimed at the improvement of the business environment. This means that this work should be intensified and focused on the improvement of administration and enforcement of legislation.

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<sup>15</sup> IBC quarterly magazine “Investments today”, Bishkek 2008

<sup>16</sup> Country Gender Assessment 2007, UNDP report, Bishkek 2008

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### 3. Profile of women entrepreneurship development in Kyrgyzstan

#### 3.1. Key motivations of women entrepreneurship

One of the most important socio-economic tasks of the Kyrgyz society is the harmonisation of gender relations. The main issues in need of attention are the status of women in the labour market, and unequal access to the capital. Promoting economic activity among women, improving the status of women in the workforce, reducing women's unemployment and poverty levels are ways to overcome gender inequality in Kyrgyzstan. One of the main avenues for tackling these issues and narrowing the gender gap is development of women's entrepreneurship.

The major reasons for motivating women of Kyrgyzstan to opt for entrepreneurship are to provide a source of income and a consequent improvement of individual welfare. However it is also a means of recognition, self-assertion, self-fulfilment, self-improvement and personal growth. The results of the women entrepreneurs' survey and focus groups' interviews showed that the major reasons for women deciding to start up an SME were a need for self-fulfilment, self-sufficiency and independence (42%), to give the opportunity to manage profitable business (39%) and the possibility to choose a working schedule (23%).<sup>17</sup>

One cannot disregard the so-called "enforced" motives, connected with the social and economic status of women, which forces women to choose entrepreneurship in order to support herself and her family. Thus, 16% of the women entrepreneurs interviewed stated that their reason for choosing SME was a need for money; another 6% attributed it to the loss of previous source of income, and 4% have started entrepreneurial activity due to failure to find a new job.

The current social and economic status of women cannot be characterised as favourable. Firstly, the employment status of women in Kyrgyzstan continues to worsen. Since 1994, the quantitative parameters of women's economic activity and employment are characterised by explicitly negative dynamics. Gender discrimination and asymmetry is a marked feature of the economy, as significant numbers of employed women are concentrated in two low-paid sectors, namely in education and health care<sup>18</sup>.

Due to the uneven employment of men and women, there is a significant wage gap. In 2007, the average salary of women constituted 67.3% of men's. This problem of gender inequality in pay has been aggravated by persistent arrears of wages in the public sector – where by virtue of their concentration in education and health, women work in higher numbers.<sup>19</sup>

Secondly, there is steady growth of unemployment in the country, affecting women much more than men. At the time of writing, there are 50% more unemployed women than unemployed men. However, the numbers of women in receipt of unemployment allowance in 2005 constituted only 7.2% of the total, suggesting that women are not availing of unemployment benefit.

Thirdly, emigration, estimated to be up to 500-850 thousand people out of 2.3 million economically active people in 2007 (the vast majority of whom are men) means that the responsibility for households is transferred to women and they are forced to enter informal labour markets in search of jobs and income.

For these reasons, there is both a necessity and an opportunity for women to start their own businesses. Moreover there are a number of positives toward this endeavour in the Kyrgyz Republic. Firstly, there is sufficient diversity of economic resources (natural, water, energy, labour resources etc.) that can become the basis of various types of business. Secondly, the educational level of women is high (for example the in 2007 constituted 56.3% of university students were women). Thirdly, the majority of women are very positive and innovative. They are ready to upgrade their education and open to changing their profession.

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<sup>17</sup> Data of women entrepreneurs' survey.

<sup>18</sup> It should be noted that these two sectors may also be reformed from the point of view of market mechanisms implementation.

<sup>19</sup> Publication of National Statistics Committee of the KR «Women and men», 2008.

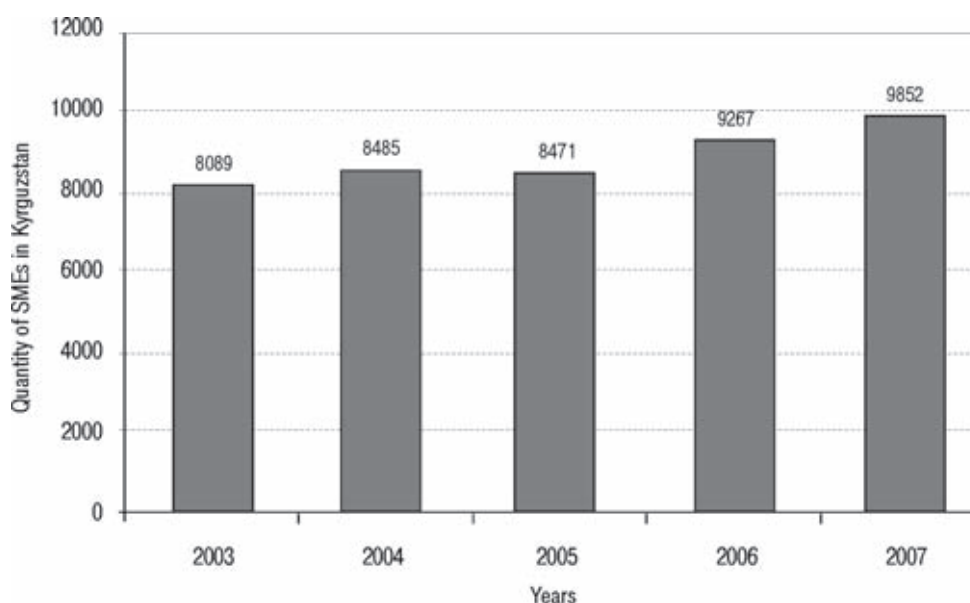
### 3.2. Dynamics of the development of the private sector and SMEs in Kyrgyzstan

As mentioned above, the up-scaling of the private sector and small and medium enterprise development is one of the priority policies of the Kyrgyz Republic. The processes of economic transformation have ensured substantial growth of the private sector of the KR. In 2007, there were 88.6% of industrial enterprises were privately owned, and accounted for almost 98% of overall industrial output, and 96% of employment in industry. The share of private farming enterprises constituted 99.4% of the total and they produced over 97% of all agricultural products. The share of the private sector in trade is over 99%. Private construction companies constitute more than 90% of the total number and account for 93.7% of all construction. In 2006, the share of employed population in the private sector was 84.7%.

The processes of private sector and SME development run in parallel, stimulating and enhancing each other. Analysis of statistical data since between 2002 and 2007 shows an increase in the number of registered SMEs, individual entrepreneurs, and farming enterprises (see Figure 3), with the quickest pace of growth among individual entrepreneurs (44%). Within this period, the number of SMEs grew by 32.3 % to 526,800 enterprises – including 9,002 small enterprises, 850 medium enterprises, 193,425 individual entrepreneurs and 323,555 farms.

The SME sector provides for significant economic growth in Kyrgyzstan, producing more than 40% of GDP. The share of gross value added produced by small and medium entrepreneurship increased in GDP from 43.4% in 2003 to 45.4% in 2007, constituting more than 63 billion Kyrgyz Soms.<sup>20</sup> SMEs also contribute to external economic activity, providing 21.3 % of exports and 18.7 % of imports.

**Figure 3. Quantity of SMEs in Kyrgyzstan**



SME sector also contributes to resolving the problems of employment in the country, ensuring 13%<sup>21</sup> of total employment. According to the National Committee on Statistics, within the last five years employment in SMEs (in the majority of cases in the domain of individual enterprises) has grown by 61,000 people (or 27.4%). Thus, a new stratum of private entrepreneurs is being formed in Kyrgyzstan. In essence the state sector is being replaced

<sup>20</sup> It is essential to take into account that in calculating of GVA volume share produced by SMEs, the volume of GVA, produced by farming enterprises and peasant farms, should also be calculated. Whereas in calculating of volume of employment in SME sector, the volume of employment in farming enterprises and peasant farms is not calculated.

<sup>21</sup> Not including famers' households.

by SMEs, the vast majority of which are private. Moreover, the SME sector has already demonstrated advantages in ensuring socio-economic stability in the country through helping a great number of people to make a living and/or earn additional income in the conditions of long-standing crisis.

However, in spite of all positive tendencies and outcomes, there are also a number of downsides. Alongside the rapid growth of new businesses, the number of idle and loss-making enterprises has also increased. At the time of writing, over 30% of SMEs are non-profitable and incur losses. At the same time, the black economy has grown at an estimated level of 50% GDP<sup>22</sup>, largely because of the upsurge in SMEs.

### 3.3. Gender aspects of employment in small and medium businesses

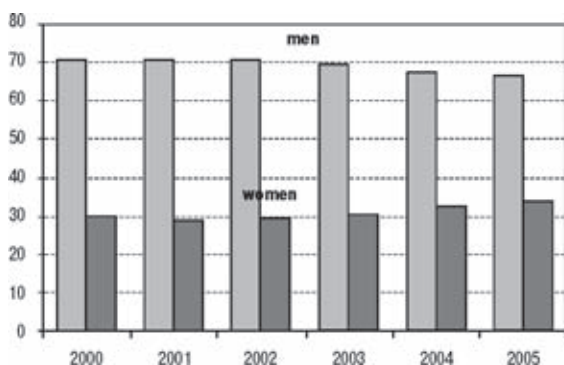
Unfortunately, there are no gender-disaggregated statistics for SMEs, individual enterprises or farming enterprises. However, the volume of women’s entrepreneurship can be assessed by proxy through the official data on the number of executive managers of registered businesses entities. In 2006, the number of women at the executive positions in Kyrgyzstan stood at 14,237 persons (20.3%), while the number of men was 55,802 (79.7%). Thus, there are almost 4 men for every woman at the level of executive positions.

However, there are some positive changes afoot: the number of new business entities headed by women increased from 24.1% in 2002 up to 28.5% in 2006; the number of women employed in small enterprises in 2005 increased by 8.2% when compared with 2002; and the share of women among the total number of employees of small enterprises increased from 29.7% in 2002 to 33.6% in 2005.

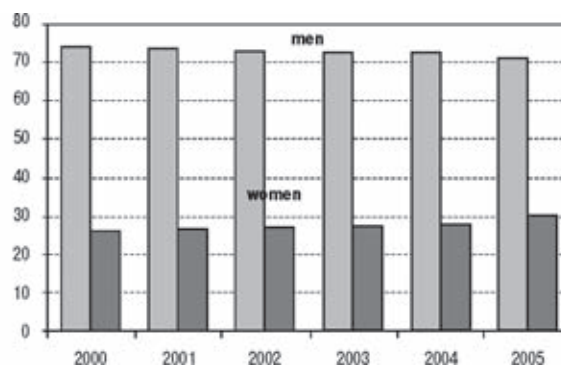
In 2005, the largest numbers of women employees in small enterprises was registered in Bishkek – 39.1% and in the Chuisk region – 34.8 %, which testifies to more advanced approach to gender and employment issues of the northern regions of the country.

Gender disparities in employment in SMEs are reflected in Figures 4 and 5. The data confirms the fact that in spite of a certain amount of growth, women are still in the minority – their share hovers at the level of 30%. In addition, the growth in the numbers of women employed in small enterprises within the 6 year period covered constituted 3.9%, while the number of women employed in medium enterprises increased by 3.7%. This is moving in the right direction, albeit slower than one would hope.

**Figure 4.**  
Structure of employment at small enterprises



**Figure 5.**  
Structure of employment at medium enterprises



Overall the analysis of employment points to serious gender inequalities and discrimination in employment in the SME sector, as the vast majority of jobs are occupied by men. It would appear that the heads of private enterprises (both small and medium) prefer to employ men. It happens partly because of the developed gender stereotypes (“men work better”), and partly because the employers are afraid of possible extra costs related to maternity leave.

<sup>22</sup> Report “Shadow Economy in the Kyrgyz Republic: tendencies, assessments and policy options”, Bishkek, 2006.

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### 3.4. Sectoral distribution of SMEs

A sectoral analysis of SMEs showed the following: 18.5% of small and 20.1% of medium enterprises are concentrated in the production sector; 10.5% of small and 10.4% of medium enterprises are in construction; 30.8% of small and 20.2% of medium enterprises are concentrated in trade, auto service and household goods repair and maintenance; 8% of small and 11.6% of medium enterprises are concentrated in transport and communications; and 20.2% of small and 23.1% of medium enterprises are in real estate transactions and services.

A survey of women entrepreneurs showed the following distribution of women businesses among the different sectors of the economy: 56% fall within the trade sector; 22% within the production sector; 19% in the service sector and 3% in other sectors. The survey therefore confirmed the existence of so-called “female” entrepreneurship, which traditionally is located (and not only in Kyrgyzstan) in trade and mediation, catering, consumer goods production, public services, education and culture. The survey also pointed to low numbers of women in production, possibly because production (with the possible exception of textiles, which has traditionally strong positions in the country) is considered to be more difficult, more time-consuming, and possibly less profitable than trade, mediation and rendering of services to the population.

### 3.5. Geographical distribution of SMEs

Kyrgyzstan is divided into northern and southern regions, and this division is a very specific feature of socio-economic development of the republic. In 2007, 1006 SMEs (10.2%) of the total number were registered in the Chuisk region. In the Issyk Kul region, the number of SMEs constituted 359 (3.6%); in the Talass region 141 enterprises (1.4%). There were 217 enterprises registered in the Naryn region (2.2%). 66.6% of registered SMEs were in Bishkek. The aforementioned four regions and the capital Bishkek are part of the industrially, scientifically, culturally and sociologically developed north. Meanwhile 389 SMEs (3.9%) are registered in the Oshsk region; 400 SMEs (4.1%) in the Jalal-Abad region; 148 (1.5%) in the Batken region, and 634 SMEs (6.4%) in the city of Osh. These three regions and the southern capital are part of the less developed South.

Thus, 8,281 SMEs or 84% of their total number of registered SMEs are situated in the north, while 1,571 enterprises or 16% are concentrated in the south. The significance of these proportions becomes even more obvious if the data is compared with the data on population distribution in the country: by the end of 2007, almost 49% of the population lived in the northern regions of the country and 51% of population in the southern regions – a virtually even split. The distribution of small and medium enterprises among urban and rural areas is as follows:<sup>23</sup> 73% of SMEs are situated in Bishkek and Osh, while 27% are located in the other 7 regions. Therefore, the major part of SMEs is located in northern regions and in urban areas.

Gender analysis of official statistical data both on the number of SMEs and the number of employed persons has shown that women’s entrepreneurship is more developed in the north of the country, with the exception of Osh in the south. There are very particular economic and social reasons for the contrast between the north and the south of the country. During the Second World War, hundreds of plants and factories from Russia, Ukraine and Belarus, and many scientific institutes and engineering offices were relocated to the north. Moreover, thousands of qualified scientists and engineers, along with regular artists and teachers were evacuated from other parts of the Soviet Union to the north of Kyrgyzstan.

This period created strong foundations for economic development of the north, where the major part of industry, communications, transportation, trade and infrastructure were located. All institutions of higher learning, major parts of scientific institutions, cultural and educational organisations, and medical organisations were also located in the north during the Soviet period. In the south, mining enterprises and power generation sectors were the primary focus, the result being that a large proportion of the residents were temporary migrant labourers.

Social reasons also play a part: the south is more religiously oriented. The lack of cultural, educational, and medical institutions; a lack of transportation and engineering services; and a labour surplus due to high birth rate

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<sup>23</sup> NSC data for 2007.

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negatively influenced the social status of southern women. In the north, women never wear burqa or hijabs. They have equal rights with men to take part in social production, and patriarchal and feudal patterns have been abolished. During the Soviet period the burqa was prohibited and gender equality was introduced throughout the country. However, during years following independence and up today, the south of the country is going through a reactionary period. Pro-Islamic religious influence is growing, and many southern women have again put on burqa and hijabs. In this context very obvious and blatant gender discrimination in economic and social spheres of the south has appeared. Understanding these regional differences is important because it helps to understand barriers and constraints to women's entrepreneurship development in the southern regions and rural areas. They are related to stronger religious, historical and national customs and traditions, which tend to assign a secondary role to a woman.

### **3.6. Young women's entrepreneurship**

According to NSC official data, in 2007 women constituted 46.5% of the economically active population. The share of young women (under the age of 30) amounted to about one third of the total number of employed women. In 2006, there were 188,900 unemployed, of which 87,500 were women. Out of the total number of unemployed women, young women (under 30) constituted 44,500 (about 51%). Consequently we may surmise that young women constitute the majority of unemployed and only one third of employed women in Kyrgyzstan.

#### **Box 1. *Some common features of young women entrepreneurs***

Based on an analysis of questionnaires of women entrepreneurs aged below 24 (4% of the total who took part in the survey) we may conclude certain general features of these business women:

- Aspiration for independence and self-support motivated these young women to start their own business.
- These women do business in trade, manage small enterprises and sell their products at local markets.
- It is noteworthy that these women have at a minimum some level of higher education, and 1% of them have a university diploma. Most have been in business for 5-8 years, which means that these entrepreneurs combined their studies and business.
- It is also important to note that all young women entrepreneurs indicated that they have tried recently to get additional financing for their business, but the majority of them failed.
- A significant number of the women entrepreneurs interviewed reported that they were visited by inspectors, and the majority of them were subjected to bribes, one of them reported being sexually harassed.
- Despite of the difficulties, all of them are confident that their enterprises will be operating successfully in the next two years.

It therefore appears that young women entrepreneurs represent a vulnerable group of the population. Young women encounter discrimination; and they appear to be less economically and socially protected. The vulnerability of young women is also being aggravated by the following negative processes:

- Unemployment among young women leads to them operating in informal markets;
- Young women are sexually harassed at work; there is growth of commercial sex and slavery among young women.

### **3.7. Barriers to women entrepreneurship development**

The women's entrepreneurship survey revealed a number of factors that hinder women's activity in SMEs and prevent women from developing their entrepreneurial potential to its full extent. The transition to a market economy made it possible for women to get involved in many types of activities. Nonetheless, the majority of

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enterprises set up by women are micro-enterprises. Today, over half of women entrepreneurs do business in the trade sector that is represented mostly by small shops, vending stands in the markets, snack counters, and products sold by shuttle traders. In addition, a large percentage of the enterprises set up by women operate in the service sector (beauty parlours, wedding shops, medical centres and other services).<sup>24</sup>

**Elmira, Chairperson of the Board of a joint-stock company, Bishkek:** *"There are differences between men and women in politics. However, in business a woman can minimise barriers. For instance, when I started to carry out business, I had nothing, but now, thank goodness, we cover 39% of the market. Women entrepreneurs have all the qualities necessary for successful business - ambition, knowledge, professionalism, persistence and firmness. Women can achieve a lot."*

It is important to note that among the women entrepreneurs interviewed (see Annex 1), more than half of the women who run their own enterprises have higher education. However, we should not forget that gender discrimination (both direct and indirect) leads to low education levels among women (especially in rural areas and in the southern regions). This in turn leads to inaccessibility of technical and economic information, lack of knowledge on business legislation, and lack of start-up capital – all of which create serious obstacles for women who want to start their own business.

In addition, a lack of information, limited access to resources necessary for business start-up, unfavourable tax policy and administrative barriers<sup>25</sup> push some women into the informal sector, which often does not offer any social safety net.

The lack of state supports or special programmes for women's entrepreneurship development, as well as a lack of recognition by the general public of the role and achievements of women entrepreneurs also slows down its development. Moreover, in spite of an official policy of gender equality, women encounter obstacles resulting from traditional gender roles and cultural practices. Though the majority of women entrepreneurs did not point to any gender differences in their access to information; their levels of training for entrepreneurship activity; or their access to land, material and technical resources and real estate, it is important to note that a serious obstacle to professional development of women is the fact that women have family responsibilities and spend a significant part of their time fulfilling them.

Many of the women respondents mentioned that they want to and can be independent from men (this is supported by the fact that the main reason of doing business by women is their "wish to be my own master"). At the same time, there is was a significant number of women who believed that traditional gender perceptions still strongly affect the development of women's entrepreneurship and the status of woman in the society in general.<sup>26</sup>

**Woman entrepreneur, owner of a private company, city of Kyzyl- Kia:** *"Men have more free time, they have more complete information. If a woman participates in an auction for sale of a plot of land, and her competitor is a man, in spite of the fact that the woman gives the same price it will be the man who will buy this plot. If a woman runs for the local council and her competitor is a man, in spite of the fact that the woman will be stronger, smarter and more honest it will be the man who will be elected. Women's rights are infringed always and everywhere due to our mentality and it is unknown when we can extirpate this."*

The survey of women entrepreneurs (see Annex 1) revealed that about 20% of women believe that the dominant status of men in the society is unquestionable. Cross tabulation showed that these women are in acute need of earning money to support themselves and their families, and that they work alone without any partners. About 50% of all unsuccessful attempts to get financing for business development mentioned in the whole survey were witnessed by these particular women, and about 30% of all cases of harassment by government officials were experienced by these women. These women entrepreneurs encounter serious difficulties in their entrepreneurship activity and need targeted support.

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<sup>24</sup> Data of women entrepreneurs' survey.

<sup>25</sup> Alternative Report to CEDAW Committee and materials on the status of implementation of the UN Convention on Elimination of All Forms of Discrimination against Women in the Kyrgyz Republic. NGO Council. Bishkek, 2008.

<sup>26</sup> Data of women entrepreneurs' survey.

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One interesting aspect of women's entrepreneurship development in the south, specifically in the city of Kyzyl-Kia, is the fact that most women entrepreneurs have secondary education. However the number of women entrepreneurs with higher education is half that of the capital. There are higher education institutions in the city (Kyzyl-Kia Institute of Technology, Economy and Law of Batken State University; Kyzyl-Kia Humanitarian Pedagogical Institute of Batken State; Kyzyl-Kia Branch of Kyrgyz-Uzbek University) The fact that fewer women have higher education shows that they have to work rather than study, in order to support themselves and their families, or that they are forced to work by their husbands. This conclusion is indirectly confirmed by the fact that family enterprises are the primary area of work in Kyzyl-Kia (60%).<sup>27</sup>

In addition, the survey of the enterprises in the city of Kyzyl-Kia made it possible to conclude that there are more serious problems with women's entrepreneurship in the south than in other regions. This is testified by the fact that the majority of small enterprises managed by women are trade outlets. There was not a single manufacturing enterprise among the enterprises participating in the survey, though there are industrial and manufacturing enterprises in the city (in 2006, industrial output constituted 229.1 million Soms, there are 13 industrial enterprises and 133 small enterprises engaged in industry).<sup>28</sup> In addition, it is notable that women's businesses in Kyzyl-Kia are primarily sole proprietorships and entrepreneurs who work on the basis of a license. Further, business support institutes in Kyzyl-Kia are poorly developed.

*Woman entrepreneur, owner of a private company, city of Kyzyl-Kia: «If a woman living in a rural area, has household and family responsibilities, this very much impedes her intentions to start her own business».*

In summary, a conclusion can be made that entrepreneurship activity of women in Kyzyl-Kia is represented mostly by small trade companies oriented to the local markets (over 95% of products). Alongside these general barriers and difficulties, there are some specific impediments that prevent the development of young women's entrepreneurship, in particular:

- First of all, the patriarchal character of the Kyrgyz society is major impediment. As a rule all the property of the household, its finances and other resources, are owned by the elder generation, which hinders access by women, especially young ones, to their use;
- Secondly, the tradition of bride-price is being restored virtually everywhere (it was basically eliminated during the Soviet period). Bride-price as a social institution puts girls into a dependent position and to a great extent a predetermined economic and social gender inequality. It is especially common in rural areas where the bridegroom and his kin essentially buy the bride and all rights to her.
- Thirdly, the overall weakness and underdevelopment of the youth movement in the country is a cause for concern. This relates to political youth organisations, student and trade-union movements, structures for business among the youth etc. The absence of institutes of youth entrepreneurship, and women's entrepreneurship is also a factor.

The review of women's entrepreneurship in the Kyrgyz Republic comes to the following conclusions:

Firstly, the share of women's entrepreneurship remains small. This is chiefly caused by gender inequality in access to resources. In addition, the starting point for entering business is not the same for men and women, and does not favour of women. Barriers for women's entrepreneurship development are being aggravated in the southern regions due to stronger religious, historical and national traditions and customs that assign a secondary role to women.

Secondly, despite the fact that women's entrepreneurship represents the strategic avenue for poverty elimination and the sole real alternative for women's employment, the weakness of women's SMEs does not allow it to fulfil its potential for job creation and the formation of a women's middle class.

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<sup>27</sup> It should be mentioned that the sampling of entrepreneurs is not formally representative, however, from expert point of view the survey of enterprises is in general consistent with the classification of enterprises headed by women both from from both a sectoral and territorial viewpoint.

<sup>28</sup> Web-site of Association of cities of the Kyrgyz Republic: <http://www.citykr.kg/kizilkia.php>



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Thirdly, the women's sector of SMEs is characterised by rather weak physical infrastructure. Women entrepreneurs face more and more difficulties to purchase necessary raw materials and equipment. The majority of women have no or limited access to production facilities, or non-residential premises and as a result have to incur significant additional costs. As a consequence, women's entrepreneurship orientates itself towards such areas of activity that do not require serious start-up capital and can survive without major investments – namely small business in traditionally female sectors.

Unsolved problems, directly or indirectly related to women's entrepreneurship development, remain acute. These include:

- persistent social and cultural norms and gender (patriarchal) stereotypes towards women's role in the society, which strengthen the traditionally dependant position of women;
- differences in access to and control over physical and human resources;
- differences in education that lead to gender segregation in many sectors of the economy;
- existence of vertical segregation along gender lines;
- low level of awareness about gender equality issues in society;
- differences in self development opportunities;
- increase in the gender gap in income, pension benefits and social protection in general;
- a decrease in the number of women in the share of economically active population;
- low levels of gender awareness in state administration and local authorities.

In order to address these constraints, a number of measures are required: there needs to be a strong political will; improved public administration with responsibility for the effective implementation of gender policy; and civil society and business need to enter into dialogue. Problems may also be addressed by improving the institutional environment and machinery of gender equality and gender mainstreaming by maintaining gender balance in socio-economic sphere, and by comprehensive awareness-raising on gender equality issues in society.

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## 4. Policy, legal and regulatory framework for women entrepreneurship development

Despite the fact that the percentage of women entrepreneurs is growing steadily, and that women entrepreneurs are making more and more notable contributions to the development of the country's economy through creating new jobs and supplying the budget with tax revenues, women's entrepreneurship has yet to overcome serious barriers in its development. It should be mentioned that most of the obstacles are universal and apply to all businesses. However, women entrepreneurs tend to suffer from these difficulties to a greater degree than men.

The shortfalls in the existing statutory regulations, coupled with its weak enforcement adversely affect the development of women's entrepreneurship in Kyrgyzstan. Neither legislation nor policy documents in the sphere of SME development distinguish women entrepreneurs as a separate group in need of specific inputs. As shown below, the survey confirmed that women entrepreneurs faced significant limitations in virtually all aspects of their business activity, despite the progress made in the legal sphere. At the same time, it should also be noted that the shortcomings in legal regulations and their poor enforcement are exacerbated by other related circumstances, which, taken together impede the government's efforts in promoting women entrepreneurship. They are basically the following:

- the absence of any national and state programme to support women's entrepreneurship, including for young women;
- insufficient levels of public and private partnerships, including in the support of women's entrepreneurship development, as a component of the overall business environment;
- poor development of institutions to promote women's entrepreneurship and as a consequence, limited access for women to information about economics and business opportunities;
- the lack of responsiveness of vocational education system to the demands of the labour market, and its unsuitability for the training and retraining of women.

### 4.1. Business registration and licensing

Kyrgyzstan has achieved significant progress in the area of business registration. At the time of writing the registration of legal entities in the Kyrgyz Republic is based on the single window principle, introduced in May 2008. The main objectives of the single window principle are the elimination of redundant, duplicate procedures during registration, reduction of the time taken to issue documents, and an overall reduction in the number of documents required. In conformity with this new system, documents should only be submitted to the justice institution; there is no longer any need to register documents in the statistical office, with the tax authorities, or with the Social Fund.

However, these reforms have not yet been fully completed. In the majority of cases the ten day period (ten working days or two weeks) for registration has not been observed. The procedures for interaction between the justice bodies, the tax authorities and the Social Fund have not been adequately elaborated. There are no business registration procedures in place at any level lower than the regional one (i.e. in the district and *aiyl okmoty*) as there are no justice authorities at these levels. Consequently, entrepreneurs resident in these parts of the country have to apply to regional centres, and have to pay more.

#### *Gender aspects in the course of enterprise registration*

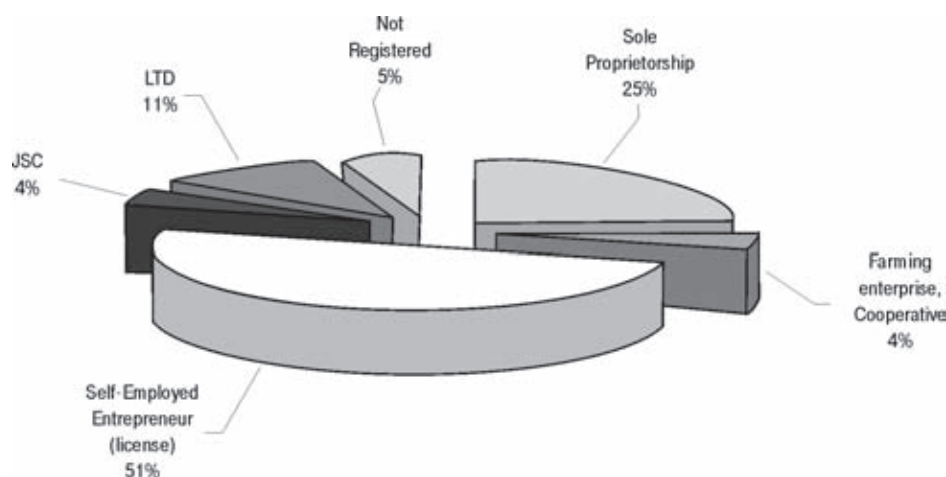
According to the survey data, women entrepreneurs are most likely to be sole proprietors of their businesses. However, there are other legal forms among the companies registered by women, namely limited liability companies, joint-stock companies, and public associations (see Figure 6).

The current legislation does not stipulate any differences in company registration between men or women entrepreneurs, and the survey has not revealed any differences. However, an analysis of the information in the questionnaires showed that only 49% of women entrepreneurs knew precisely with which particular bodies their enterprise was registered. The remaining 51% of the respondents indicated bodies that are not included in the

procedures for registration. Hence, we may conclude that over half of women entrepreneurs are poorly informed about registration processes.

It should be mentioned that there is better awareness in the capital and in the suburbs of Bishkek than in the south, where the knowledge about the company registration process is much poorer. It may be explained by the fact that these reforms have not been adequately communicated at the grassroots level.

**Figure 6. Organisational legal forms of the enterprises owned by women**



Another important fact confirmed by the survey data was that some women do business without being registered. The reasons for doing business without registration were outlined in the course an assessment of informal economy in Kyrgyzstan.<sup>29</sup> One of the conclusions is that informality helps avoid additional costs related to under-the-table payments.

An analysis of factors that influence registration (or lack thereof) was carried out in the course of the survey. The acquiring of legal status has the largest positive impact on the decision of women entrepreneurs to register their enterprise with state authorities (52%). Moreover, the availability of insurance and official protection had a positive influence on almost half of the women interviewed (42%). Awareness of the procedures for the enterprise registration influenced the decision of one third of women entrepreneurs to register their company. Conversely, the factors that prompted women entrepreneurs not to register their businesses included the absence of state support (41% respondents), high costs (38%), and the extensive time required to complete the registration procedures (37% respondents).

According to the relevant legislation, registration of business is absolutely free in Kyrgyzstan, except for a minor charge for issuing documents. However, the fact that high registration costs have a negative influence on the decision of 40% of women entrepreneurs to register their companies testifies to the fact that there is a large number of accompanying expenses including, possibly, unlawful payments. It is important to mention that the factors that affect the reluctance of those women who do their business in the informal economy also include an absence of official protection.

### ***Licensing of entrepreneurship activity***

Despite significant progress in the Kyrgyz system of issuing licenses and permits, it is still far from optimal. Where reforms that have been carried out in the framework of the World Bank's 'Doing Business' rating, covering primarily permit and licensing systems in construction, serious progress has been achieved including:

<sup>29</sup> Report "Shadow Economy in the Kyrgyz Republic: tendencies, assessments and policy options", Bishkek: 2006

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- The cancellation of a number of unjustified procedures such as state testing of construction projects during their commissioning;
  - The reduction of expenses related to architectural and construction supervision to 37% (depending on the category of the construction object).
  - Cancellation of fees for issuing permits for construction.

However, the permits and licensing systems in general are characterised by the following problems:

- The procedures for issuing permits for some types of business activities is not covered by the current ‘Law on Licensing’;
- There are significant contradictions between the current Law on Licensing and other laws that regulate licensing procedures;
- The law does not provide for clear descriptions of the grounds in which the issuing of a license can be refused.

An analysis of the licensing legislation does not reveal any gender discrimination in the licensing system. However the legislative framework in general is characterised by certain deficiencies that hamper an efficient licensing process.

#### ***Inspections by state inspection agencies***

According to the survey<sup>30</sup>, inspections by state agencies are viewed as one of the main problems in the relations between entrepreneurs and the state bodies. Inspections are carried out in a punitive manner or turn into an illegal source of income for some inspectors.

A number of regulations have been adopted with the aim of streamlining the inspection procedures, and reducing the interference by state inspection agencies into the activity of enterprises. Most noteworthy in this respect is the Law and Ordinance on Inspections. In 2008, a moratorium on inspections was introduced. Moreover, the “Bell” programme is being introduced in Kyrgyzstan, the essence of which is a prompt response by state authorities to illegal inspections. Moreover a unified automated data base on enterprise inspections has been introduced.

The aforementioned efforts resulted in a considerable reduction in inspections. According to the data from authorised state inspection agencies, the number of inspections over nine months in 2008 showed a reduction of about 64%. However, there is still a problem of inconsistency between the Tax Code and the Law on Inspections. This inconsistency is caused by the lack of developed risk assessment mechanisms for tax legislation violations. An article has been added into the Tax Code that stipulates that inspections shall be carried out in conformity with tax dodging risk assessment; however the respective methodology has not yet been developed. Furthermore, a number of state inspection agencies have not brought their departmental regulations in conformity with the Law on Inspections. A further problem is that the above-mentioned moratorium frees not only conscientious enterprises from inspections, but dubious taxpayers as well, who take advantage of this situation to avoid taxes.

#### ***Women entrepreneurship and inspections***

As mentioned above, the number of inspections of businesses is excessive. The specific issues affecting inspections of companies owned by women include more often cases of bribery extortion and harassment by inspectors.

***Dinara (sells food items), Bishkek:*** ‘The state impedes our work, does not support us, and disrupts our business development. Inspections mean high costs. Every time the inspecting officials demand unofficial payments’.

According to the survey data, 86% of enterprises owned by women were inspected by state officials within the last two years. The share of women who were subject to bribes and other unofficial payment extortion is high. 45% of the women whose companies were inspected within the last two years reported being subject to bribes

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<sup>30</sup> Data of women entrepreneurs’ survey.

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and other unofficial payment extortion, the majority more than once. 21% reported being bribed between two and ten times, and 15% on more than ten occasions. It is important to mention that cases of bribery and extortion were also reported at women's companies that were not inspected, which proves that corruption is present at practically all stages of doing business (not only during inspections by state bodies).

In addition, according to the survey, almost 10% of women entrepreneurs experienced some type of harassment by state officials during last two years. One may assume that the actual figure may be much higher. This assumption is based on the fact that women are much more likely to become victims of harassment and violence (including sexual harassment, physical violence, and robbery) in the course of cross-border trade, in particular, during transportation in a shuttle business. Since the share of such women in this survey is small, this issue would require a more detailed study.

However, an analysis of the survey information showed that 50% of women who have become victims of harassment traded across borders. These were primarily women who work in trade (almost 70%), who had small enterprises, were between the ages of 40 and 55, and as a rule, were not members of any professional organisation (only 5% in comparison with 40% in the total sampling). In addition to harassment, these women more often became victims of bribery and extortion by state officials (almost one quarter of the whole sampling).

## **4.2. Finance and credit policies, laws and regulations**

Entrepreneurs complain about difficulties in accessing finance and the high costs of obtaining financial resources for entrepreneurship activity. Access to finance in the Kyrgyz Republic is limited by a lack of long-term finance facilities, low qualifications of banking specialists, and insufficient transparency of banking legislation. The absence of trust in the banking system, aggravated by low deposit rates, reduces the financial base and increases the total cost of capital for banks. For their part banks remain uncertain about the growth and solvency potential of their borrowers. The majority of entrepreneurs rely chiefly on their own capital and on borrowings from friends and relatives, and this situation is unlikely to change in the foreseeable future.

### ***Entrepreneurship development institutes***

Kyrgyz institutes supporting enterprise development are limited to the banking system and microcredit organisations. There are very few non-financial institutions. Presently, they include the Development Fund and a Private Entrepreneurship Support Fund, both recently established.

### ***Private Entrepreneurship Support Fund***

The Entrepreneurship Development Fund, which provided credit to small businesses from public funds has been reorganised into a commercially oriented micro credit organisation. As a result, public funding of small business has practically ceased. In order to resolve this problem a law was passed<sup>31</sup>, which envisages the establishment of a Small Entrepreneurship Support Fund, and the implementation of a programme of state support to small businesses.

This Fund will be directed at promoting investment in priority areas of activity in small enterprise development; implementing SME support programmes and projects, countering monopolies; developing a competitive environment for SMEs and overseeing consultations on the issues of taxation and legislation application. At the time of writing this institute is at an incipient stage. The small business support programme for 2009 has not yet been drafted and no funding has been set aside.

### ***The Development Fund of the Kyrgyz Republic***

The Development Fund of the Kyrgyz Republic is a specialised financial institution set up as a closed joint-stock company, where 100 percent of shares are owned by the state. The Fund is aimed at improving the efficiency of national financial asset management such that prioritised, strategic projects can ensure robust economic growth in Kyrgyzstan.

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<sup>31</sup> Law of the Kyrgyz Republic "On State Support of Small Business" as of October 17, 2008 No 231.

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The Fund's terms of reference include accumulating of financial resources from different sources and working toward the creation of an efficient and steady basis for financial support toward the development and promotion of investments in domestic enterprises. The Fund will also work to facilitate exports, and will oversee the introduction of advanced management, credit evaluation and control methods. The Fund was set up in 2008. At the time of writing, all constitutive documents have been drafted and sources of finances have been defined. The Fund is expected to start its operation in 2009.

### ***The banking system***

The banking system has seen positive developments in recent times. Credit facilities are growing, and there is an upward trend in the financial intermediation indicators of the banking system. Significant liquidity and high levels of capital testify to the further potential for growth of the banking system.

In recent years, the deposit base of commercial banks has been growing. As of the end of 2007, the volume of deposits of commercial banks had increased by 28.7%, pointing to a strengthening of the banks' potential to increase the medium and long-term financing of the economy. Furthermore, a decrease in the tendency of deposits and credit portfolios being held in US dollars represents positive tendency from the point of view of exchange risk reduction.

As of 2007, there were 22 commercial banks operating in the Kyrgyz Republic<sup>32</sup>, the total capital holdings of which grew by 77.2% in 2007. In addition, their statutory capital increased by 61.3%; the volume of extended credits also grew; and in 2007 the total volume of "net" credits to the clients increased by 86%.

However, by 2007 the negative tendencies related to the impact of the global financial crisis were already being felt in the national banking system. Before 2007, there had been substantial growth of new deposits. In 2007 their volume began to decline and, overall credit growth registered at a mere 2.2%. Taking into consideration that inflation was running at about 25%, it is clear that, in real terms the volume of extended credits dropped significantly in 2007. This tendency persisted throughout 2008.

### ***Non-bank financial institutions***

In 2007, the dynamic growth in Non-bank Financial Institutions (NBFIs) continued and contributed to the increase in the availability of microfinance services. This may be explained primarily by a high demand of this type of credit. Commercial banks require collateral while as a rule micro finance institutions will provide credit on an unsecured basis. In addition, the current legislation sets forth rather liberal regulatory requirements to the establishment of microfinance organisations.

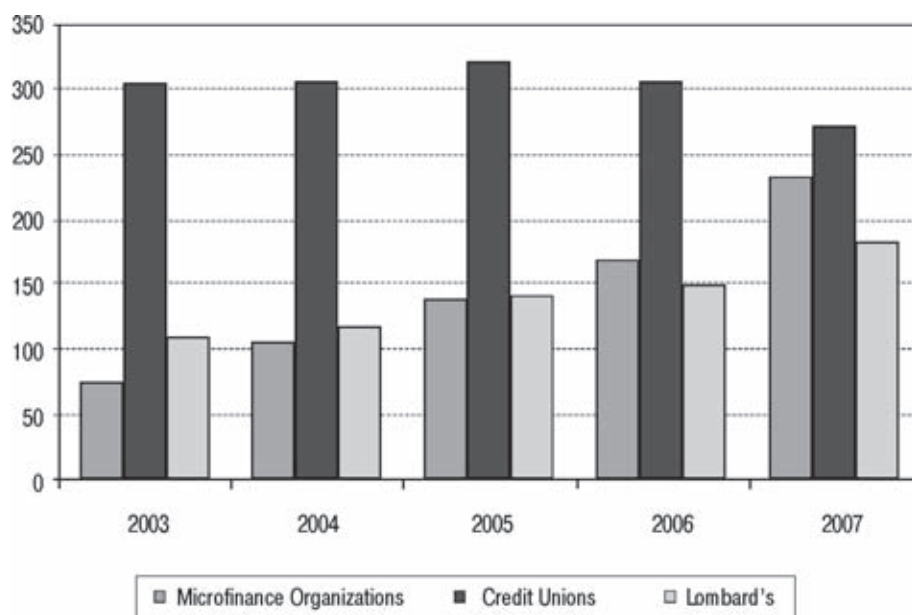
As of the end of 2007, the NBFi system included one specialised financial institution, "Financial Company for the Support and Development of Credit Unions", 272 credit unions, 233 microfinance organisations, and 181 pawn-shops.<sup>33</sup>

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<sup>32</sup> Starting from 2007, the data on JSC "Aiyl Bank" (set up on the basis of Kyrgyz Agricultural Financial Corporation) are included. The license to this bank was issued on December 27, 2006. Starting from December 24, 2007, the banking system of the Kyrgyz Republic included CJSC "Manas Bank" (former CJSC "JSB "Insan"). As a result of rehabilitation its license was restored and issued on December 24, 2007.

<sup>33</sup> Annual report of the NBKR, Bishkek, 2008.

**Figure 7. Dynamics of the number of NBFIs**



In addition to the growth of the absolute number of NBFIs, their credit portfolio also grew. The size of NBFIs credit portfolio increased in 2007 by 76.5 % as compared with 2006, while the number of clients grew by 53.7 %.

Interest rates in all types of NBFIs, except for pawn-shops (where the average interest rate remained high at 167.9%), went down throughout 2007, from an average of 33.5% to 32.9%.

Overall in 2007, the total credit portfolio of microfinance organisations grew by 97.1% and the number of clients increased by 74.1%. In addition, the share of microfinance organisations in the total credit portfolio of NBFIs grew from 75% to 83% primarily in the form of medium- and short-term credits.

The share of credit unions in the NBFIs structure fell from 24% to 16% in 2007. However, the total credit portfolio of credit unions actually increased by 13.9%.<sup>34</sup> The bulk of loans emanating from credit unions went to the agricultural sector (50.8%) and to the trade sector where the share of credits increased from 29.7% in 2006 to 33.5% in 2007. In spite of the growth in the credit portfolio among credit unions, the number of clients actually dropped by 5.7% in 2007, perhaps as a result of more stringent regulation of this sector – the licenses of a large number of credit unions were revoked because of their noncompliance with regulations.

### ***Financing women entrepreneurship***

The report found that access to credit is the most critical element in successfully promoting women's entrepreneurship development. An analysis of possibilities and conditions of access of women entrepreneurs to financial resources has demonstrated that commercial banks provide insufficient credits to SMEs. As mentioned above, this is related to the overall economic situation, the significant risks of investing in the production sector, and problems with issues of collateral.

Much of the credit provided to women entrepreneurs was provided by non-bank financial institutions. Table 2 presents the data on dynamics of micro crediting to SME in the country.

<sup>34</sup> In spite of the decrease, according to the survey results, credit unions in the south of the republic (Kyzyl-Kia) are the second major source of financing for women entrepreneurship. It is also important to note that 100% of attempts of women entrepreneurs to get financing from credit unions turned out to be successful, while attempts to resort to other institutions sometimes failed.

**Table 2. Microcredit recipients in Kyrgyzstan**

	2004		2005		2006	
	Total	Women	Total	Women	Total	Women
Number of microcredit recipients (persons)	140934	111685	146633	114246	172668	135251

The data presented in Table 5 indicates that majority of microcredit recipients are women (about 78.5%). An attractive feature of these credit mechanisms is their simplified procedures. Moreover, repayment rates of SMEs to microcredit institutions are between 95 and 100%. The size of the loans varies from \$500 to \$10,000.

The development of local community associations of women entrepreneurs has become an important aspect of SME development in recent years. Through a system of ‘social collateral’ repayment of loans by micro or small business is guaranteed by all women-members of these local business communities. The system works so well that these local associations of women entrepreneurs have practically a 100% repayment rate. This group lending has become most evident in rural areas. It is supported by international organisations and local microcredit organisations. A further advantage for the communities is that it enables them to have better access to information necessary for business development.

*Woman entrepreneur, owner of a small grocery tent, city of Kizil-Kia: «Today the one who has a capital is a lord».*

There is no formal, regulatory discrimination against women in access to finance and crediting. However, the results of the Country Gender Assessment carried out in 2008 show that certain gender stereotypes continue to exist. According to the assessment, banks prefer to extend large credits to men.

The survey also revealed that some women expressed resentment and felt disadvantaged when they applied to commercial banks for credit and were refused because of red tape and artificial barriers caused by gender differences.

Nevertheless, by and large, the survey has not revealed any serious problems with women’s access to credit. The survey shows that 56% of women tried to access finance for their enterprises within the last two years, while 44% of them did not.<sup>35</sup> 36% of women entrepreneurs applied to commercial banks, and 83% of applications were successful. 7% of women applied for credit to microfinance institutions and all, bar one, were successful.

In spite of these positive developments, women’s access to financial resources remains limited by the following factors:

- There are practically no long-term financing arrangements available to SMEs.
- The cost credit is very high. Thirdly, the pledge system is imperfect.
- The lack of experience among bank credit specialists and the lack of transparency in credit systems create additional barriers for SMEs run by women.

According to the estimates the World Bank from 2006, the costs of credit security in Kyrgyzstan was, on average, 12.4% of income per person. Another negative specific feature of financing SMEs in Kyrgyzstan through international organisations is the artificial increase of interest rates by commercial banks, which service particular credit tranches. As a result, the annual credit rate for actual recipients (entrepreneurs) can be as high as between 16% to 28%. These high interest rates often force women entrepreneurs to rely primarily on their own capital and on borrowings from friends and relatives.

### **Microfinance and women run SMEs**

In the course of the preparing this report, an analysis of three leading microfinance companies “Bai Tushum”, “Companion” and “FINKA” was conducted. The aim was to review the main activities of microfinance companies

<sup>35</sup> According to women entrepreneurs’ survey data, only one quarter of the interviewed women have necessary bank requisites.



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in the Republic, as well as to analyse the possibilities for improving women's access to credit. The main aims of microfinance companies' include the creation of jobs for vulnerable groups of the population and the promotion of small and medium entrepreneurs, primarily women. For example, 48% of the total credit portfolio of "Bai Tushum" company in 2007 was granted to women, while 72% of "FINKA" clients are women.

A feature of these companies is the simplicity of their lending processes: a minimum number of documents are required and there is no red tape. Furthermore, these companies have branches in all regions of the country, including remote rural areas. In addition, the amount of credit available starts with loans of \$500, which makes it possible for women to take small loans and use them for in small homebased businesses (for example the production of homemade dairy products, or the opening of a kiosk or trade stand). Loans from these companies may be granted on a secured and non secured basis. Crucially these companies offer group loans that are particularly popular among women entrepreneurs.

The presence of these types of companies in Kyrgyzstan augurs well for women's access to finance and women's entrepreneurship in general going forward.

**Box 2. Experience of microfinance organisation "Companion": gain profession!**

The microfinance organisation 'Companion' takes an active part in the implementation of the "Joint Development Initiative" (JDI) carried out under the aegis of MercyCo Kyrgyzstan in 46 communities in the south of the republic. In the framework of one of the JDI programmes "Master Hand – Apprentice" 450 graduates gained professions and 270 jobs for young people were created.

19-year-old Nadezhda Gerasimova moved to Jalal-Abad to continue her education in town. Nadezhda had to look for a job to be able to pay for her education. The only work that she could find was the position of a waitress or janitress – common jobs for the people without higher education.

Thanks to "Master Hand – Apprentice" programme Nadezhda and her younger sister Elena got a profession. They became third-grade welders. At a welding training course launched by JDI program Nadezhda learned to understand structural graphs, to use a welding nozzle, and learned how to weld various metals. Nadezhda and Elena are the only girls who were selected by JDI for welding course. Now the girls hope to enter technical college to improve their welding skills. Their master hand and teacher Nabiulin Murat says: "Their diligence and ability to be quick to grasp made them qualified welders equal to boys!"

### **4.3. Labour laws and regulations; labour relations**

The sphere of labour relations is in need of reform, as it is presently acting as a barrier to successful SME development. The current labour legislation does not protect entrepreneurs' interests and rights; it is reminiscent of the Soviet period when private business was outlawed. As far as women's entrepreneurship is concerned, the regulatory and legal framework is gender neutral.

The laws on labour set forth basic rules and outline the duties of employers and employees. They regulate issues such as the termination of labour contracts, wages, duration of annual leave and the resolution of conflicts in the workplace.

The majority of entrepreneurs tend to pay a low official wage and at the same time make additional payments in the form of bonuses and other supplemental payments that are not reflected in official account books.

The majority of jobs in the informal sector are labour-intensive and carry a high level of risk and uncertainty. In this context, the issue of occupational safety and health becomes a priority issue, particularly for women. In fear of unemployment and poverty, women often agree to unregulated jobs such as being a domestic servant, or a street vendor.

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#### 4.4. Protection of property rights, creditors and contracts enforcement

The protection of property rights is the main condition for the successful development of any state that pursues market reforms.

Despite the fact that the Constitution of the Kyrgyz Republic gives recognition to the inviolability of private property and private property rights, the rights of entrepreneurs are violated by various illegal regulations. Liability for these violations is outlined in the Administrative Code. However, persons who have committed and continue to commit these violations are not being held accountable.

In spite of the enactment of a number of laws<sup>36</sup> fostering property rights and contracts, the enforcement of these laws remains inadequate. The lack of efficient legal mechanisms to enforce decisions of the courts degrades the authority and efficiency of judicial bodies. There are, in particular, many problems related to the enforcement of property rights. For example, the mechanisms and procedures of property foreclosure have not been regulated.

In spite of the fact that the law on Joint-Stock Companies was adopted in 2003, property and investments protection for enterprises is still not effective. It should be mentioned that there is significant ambiguity and vagueness in the regulatory provisions, creating the possibility of different interpretations. There is also a lack of mechanisms to implement the law. Increase of transparency, openness and improvements in the area of property rights is required on the part of state authorities.

*Svetlana Mikhailovna, owner of sewing workshop, Bishkek: 'Our country still has strong stereotypes and prejudices of the past, which say that a man is the head of a family and 'a master' of everything'.*

There is no legislative discrimination against women with regard to property rights and real estate for SMEs. The results of the women entrepreneurs' survey also do not reveal any discrimination of women with regards to property rights. However, it should be pointed out that in spite of a formal commitment to gender equality, traditional systems whereby property is owned and inherited primarily by men, do persist and there are cases of gender discrimination with regard to equal access to land. It is especially prevalent in the less developed south of the country and negatively influences economic opportunities available to women.

At the outset and in the course of the privatisation process in Kyrgyzstan, key positions in the public administration and in the economy were held by men. As a result, the bulk of property came to be concentrated in the hands of men.

*Women entrepreneur, Tokmak: 'Law and the Constitution apply to everyone without discrimination: both to a man and a woman'.*

Nevertheless, the results of the survey show that more than one third of women entrepreneurs (35%) own their own capital facilities and premises; one third of enterprises are located in capital facilities owned by somebody else; and 19% of enterprises are located in the street. In addition, 35% of women own working spaces and 27% rent them. 39% of the surveyed women entrepreneurs do not own or rent any working spaces.

Overall the situation regarding property rights requires measures on the part of the State. It is necessary to audit regulations and laws within the context of constitutional guarantees to property rights.

#### 4.5. Tax and customs administration

Opinion polls show that a majority of entrepreneurs are greatly the administration of the tax system in Kyrgyzstan. Tax inspections tend to have little social benefit; and are costly for entrepreneurs.

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<sup>36</sup> Law of the Kyrgyz Republic On Pledge as of December 17, 2008 N 265, Law of the Kyrgyz Republic On Arbitration in the Kyrgyz Republic as of June 11, 2004 No 73.

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According to available data, tax authorities have excessive powers and apply them in an inconsistent manner. Weak enforcement, a lack of public awareness, and a lack of accountability in the area of tax administration has generated ambiguities whereby entrepreneurs are not informed about their rights, and tax inspectors abuse their powers for money. This inevitably leads tax evasion and a migration of entrepreneurs towards the informal economy. Entrepreneurs try to remain small to avoid the attentions of the tax authorities.

According to the survey of investors, the administration of tax in Kyrgyzstan is inefficient in comparison with other countries in Central Asia. This creates an additional motivation for entrepreneurs to evade taxes and not comply with the tax legislation. One of the inefficiencies in the tax administration is the tendency of tax authorities to carry out as many inspections as possible.

8.1% of businesses are inspected, much higher than the international standard (1-3%). It should be pointed out that this figure includes a large number of peasant farms and farming enterprises, the inspection of which is not practical due to specific features of Kyrgyz legislation.

More illustrative is an assessment of the inspection coverage of certain categories of enterprises. According to the State Revenue Committee, about 30% of legal entities are inspected.

Striving for total coverage of enterprises by tax inspections is inefficient for many reasons, the most critical being:

1. The tax authority does not have the capacity to carry out the quantity of inspections that it does, which results in a decline in the quality of inspections<sup>37</sup> and increases the probability that large tax evasion remains undetected.
2. The high number of contacts between inspectors and entrepreneurs increases the opportunities for corruption.

***Tatiana Albertovna, owner of sewing workshop, Bishkek: "As a result of rolling blackouts our production fell by 30%. In spite of the fact that some of our sewing machines do not work, we still have to pay taxes for them. All this has a negative impact on our business. It is obvious that the state does not support the development of women's entrepreneurship in any way".***

In addition to problems in the administration of taxation, many women entrepreneurs mentioned that high tax rates of taxation curtail their ability to investment in their businesses.

According to the data generated by the women entrepreneurs survey, the current tax system has had negative impact on the investment decisions of 56% of the respondents (including a "strongly negative" impact on 26%). Only 8% said that it had positive influence. Government policy with respect to business development services also had negative impact on the investment decision of the majority of women entrepreneurs (64%, including 40% "strongly negative"). Women entrepreneurs also complained of a reduction of production output caused by rolling blackouts in the country.

The new Tax Code takes effect in 2009. It envisions the creation of incentives for business growth and a changing of the investment climate for the better. It is designed to bring about an improvement in the tax administration, by making tax payments more predictable and by broadening the tax base by increasing the number of taxpayers. In addition, this law will change the principles upon which the system of taxation is based. It reforms the system by changing the types of taxes; and the rights, duties and responsibilities of taxpayers and tax authorities. It simplifies the tax procedures and the methods of tax calculation, and reduces the number of taxes by half. In pursuance of the Presidential Decree, an article of the Tax Code entitled 'Planning of Field Inspection' has been added to the new draft of the Tax Code. It specifies that decision to inspect an individual taxpayer shall be done on the basis of a tax-dodging risk assessment.

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<sup>37</sup> According to the State Revenue Committee, only one fourth of additionally assessed taxes is transferred to the budget, which highlights inefficiency of a large number of inspections.

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It is difficult to foresee the impact of the new Tax Code on the business environment. This will only be possible after some time. However, there are some negative aspects, primarily regarding the regulation of license-based activity. The business license fee has been increased drastically (by four times for some types of licenses). In addition, the number of licenses has been reduced by more than one hundred percent. Many licenses for sectors where women's entrepreneurship is prevalent (sewing workshops, translation, giving tutorials) were cancelled, which seriously impacts on the situation for promoting women's entrepreneurship.

The customs legislation is also far from perfect. Starting from early 2009, a new Tax Code has been applied in Kyrgyzstan. There are a number of problems in the administration of customs, including:

- Noncompliance with the Customs Code, including by the customs officials;
- Low level of qualifications among customs official,
- Unsatisfactory provision of regulatory documents;
- Insufficient transparency;
- Underdeveloped customs-related services;
- Imperfect customs clearing procedures.

Overall, there is an unfavourable situation for small business development. The absence of state support for small enterprises, the high taxes, and imperfect tax and customs legislation leads women entrepreneurs to believe that their enterprises will not progress well in the near future.

An analysis of the current political and regulatory framework for women's entrepreneurship development suggests that there are many impediments to women's entrepreneurship development in Kyrgyzstan.

There are many drawbacks in state regulation of the economy and private business. There are many regulatory barriers, and while *de jure* a regulatory framework exists, *de facto* the SME sector suffers from the dominative role of state authorities manifested in numerous controls, inspections and audits. For instance, 86% of women entrepreneurs participating in the survey stated that government officials inspected their enterprises.

Tax administration represents a serious barrier for women's entrepreneurship. There are no targeted preferential programmes to alleviate the tax burden alleviation for women running small and medium sized businesses. In addition, the tax authorities apply the tax legislation unfairly and subjectively and abuse their power by demanding bribes.

Other obstacles include high costs and lack of access to financial resources. A lack of long-term credit (for example, 80% of all credits are short-term ones) often makes investments into production unprofitable. There is also a shortage of financial resources domestically, high levels of risk in the market, problems with opening bank accounts and a short supply of modern banking services.

The majority of women's enterprises work in domestic or local markets; less frequently they enter the national market and export their products. At the same time, cross-border trade with Kazakhstan, China, Tajikistan and Uzbekistan represents quite a sizeable portion of women-led businesses. In this context, overly bureaucratic customs procedures for the export, import and transit of goods create serious barriers and gives rise to corruption.

Another serious barrier to the development of entrepreneurship is corruption. According to the independent organization Transparency International's report, of 2007, Kyrgyzstan is among the most corrupt countries in the world.

Private businesses, including those led by women, do not invest in innovation, research and development, or high-technology production. This has a negative impact on the production quality and competitiveness of local SMEs.

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## **5. Institutional systems for women entrepreneurship development**

### **5.1. Gender policy and programmes promoting gender equality**

Kyrgyzstan's accession to the Beijing Platform for Action (BPA), adopted in 1995 has become the starting point for the development of policy on gender equality.

The following programs aimed at ensuring gender equality were developed in Kyrgyzstan: the National Programme 'Ayalzat' (1996–2000), the National Action Plan for the Achievement of Gender Equality in KR for 2002–2006, the Country Development Strategy for 2009–2011 (CDS) and the National Action Plan for the Achievement of Gender Equality in KR for 2007–2010 (NAP). The CDS, in particular outlines specific actions and measures aimed at ensuring macroeconomic stability, the efficient utilisation of internal resources, measures to attract foreign investment, intensification of production through an increase in labour productivity, as well as the simplification of fiscal policy, the protection of property rights protection. The CDS does not contain separate regulations on women entrepreneurship development. There is however a section "Gender Equality Achievement Policy".

These programme documents define the state's gender policy, its goals and objectives, and its main directions and priorities. They also ensure a coordination of state authorities' efforts to promote gender equality with those of all structures of civil society.

Among the positive developments is the fact that there are now mechanisms to ensure that gender experts are consulted in the drafting of state programmes, and regulations and legislation. A methodological framework has been created for this purpose. In addition, the Constitution, a number of codes, laws and draft laws have passed through this framework of gender experts.

There have been notable results in the area of employment as a result of the aforementioned programmes. In 2003 the government adopted the Programme of Activities on Legalisation of the informal (Shadow) Economy. The decision of the Government 'On Further Development of the Sewing Industry was adopted in 2006 within the framework of measures on integrating the informal sector into the economy and supporting and protecting the women and men who work there. This document is aimed at developing the sewing industry, a sector which employs many women.

Trade unions have been established at the large markets in the capital city with the aim of protecting and supporting men and women involved in 'shuttle' businesses.

The Kyrgyz State Committee on Migration and Employment was set up to solve problems of internal and external migration. A special unit to combat trafficking in human beings was created as part of this committee.

Measures have been undertaken at state level to simplify the access of vulnerable men and women to saving societies and credit resources. A legal basis for microfinance institutes is being developed and both the number and size of loans being extended to women entrepreneurs is growing.

### **5.2. Institutional development of women entrepreneurship**

The analysis has shown that institutes supporting entrepreneurship and the private sector exist in Kyrgyzstan. A further question is how efficient they are, and whether they perform their functions of developing business in general, and women's entrepreneurship in particular.

The government's social development department is responsible for the development and implementation of its gender policy; the Ministry of Economic Development and Trade is responsible for regulating the enabling environment for business; the Chamber of Commerce and Industry is also dedicated to the promotion of entrepreneurship.

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Overbearing bureaucracy, awkwardness and inflexibility are typical of state bodies in Kyrgyzstan. Consequently the question arises whether there are results to their activities, whether there is real progress in women's entrepreneurship and, whether state supports for women's business is actually happening. It is extremely difficult to give unequivocal answers to these questions due to the lack of information emanating from the state bodies.

Given that 60% of the country's population lives in rural areas, we should also mention the role of credit unions as key instruments of rural economy development.

However, credit unions could play notable role in the financial intermediation, especially in the area of women's entrepreneurship. The need for rural consulting and financial institutions is obvious. Credit Unions could render substantial support for agricultural development; and could give advice and extend credits to farmers, farming enterprises and agricultural cooperatives. The main problems facing credit unions, which are the main lending institutions in the rural areas, are their low capital base and lack of long-term financial resources. This prevents them from meeting the financial demands of entrepreneurs.

As of the 1<sup>st</sup> of September 2008, there were 259 active credit unions in Kyrgyzstan, serving 27,000 people. This constitutes approximately 20% of borrowers using microfinance institutions of any type. In monetary terms, the total amount of credit extended by credit unions was 900 billion Soms (approximately 25 billion US dollars).

A broad network of NGOs has been created in Kyrgyzstan. The sphere of their activities includes support for women's entrepreneurship at the national, regional and local levels by administering consulting, legal and educational services to women.

The activities of international organisations deserve a special mention. They play an important role in the advancement of gender equality in the country and development of women's entrepreneurship.

The main international organisation working on gender issues is UNIFEM, which monitors the development and promotion of the Beijing Platform. UNIFEM organises and supports sub-regional seminars on gender issues, provides of technical and financial support to NGOs, translates information into national languages and disseminates information, and supports young women in leadership positions.

The UNDP's 'Women in Development' programme has two chief activities, namely: 'Social Mobilisation' and 'Women and Gender in Development'. These implemented in cooperation with the Government of the Kyrgyz Republic. As a result of these programmes assistance was provided to about 20,654 women and 1,549 children (45 projects). Loans amounting to 54 million Soms were granted on the basis of social collateral.

Substantial assistance in implementing political and economic reforms is provided to Kyrgyzstan by the European Commission. Presently, the relations between the European Union and the Kyrgyz Republic primarily take the form of technical assistance to the Kyrgyz Republic, as well as facilitating the building up of sufficient stocks of food and humanitarian aid.

An important area of activity for the United States Agency for International Development (USAID) is economic development and active work is carried by USAID out on promoting the development of the private sector in Kyrgyzstan. At the time of writing programmes are being implemented by USAID through contracts and grants with over 40 local and international organisations, including UN organisations and funds, private companies and NGOs.

The European Bank for Reconstruction and Development (EBRD) facilitates private sector development by financing private businesses in agro-industry, the textile industry, real estate, tourism, in consumer services, and in natural resources. The Bank is continuing its successful programme of micro and small enterprises development, including in the regions.

The Business Advisory Service programme (BAS) of the European Bank for Reconstruction and Development aims to develop small and medium enterprises by subsidising 50% of the costs of consultancy services. The EBRD BAS program is supported by the Swiss Government.

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The Japan International Cooperation Agency (JICA) operates in Kyrgyzstan. Its main mission is to promote international cooperation by means of disseminating knowledge and experience and by carrying out activities aimed at building a more peaceful and prosperous world.

The Swedish International Development Cooperation Agency provides assistance through UNDP to the regional programme on the development of democracy, human rights and the private sector in Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan.

The German Agency for Technical Cooperation (GTZ) supports comprehensive development, reform processes and makes a contribution to sustainable global development.

The ILO provides substantial assistance by implementing a number of microfinance initiatives. One such programme extends credits to entrepreneurs in the start-up phase – once they have completed the ILO’s training programme ‘Start and Improve Your Business’.

And finally, the Asian Development Bank (ADB) carries out a lot of work on supporting entrepreneurship in Kyrgyzstan, such as its supports for credit unions through the ‘Rural Financial Institutes’ project.

### **5.3. Representation and participation of women in business membership associations**

The successful development of women’s entrepreneurship is inseparable from the availability and efficiency of as business associations. Forming business alliances is an important factor in ensuring that women entrepreneurs secure their rights and interests. As a rule, women entrepreneurs tend to join business associations for two main reasons: to lobby for the interests and protect rights of women entrepreneurs, and to participate in the policy process on business issues. Furthermore, a core mission of business associations is to counter excessive state regulation of economy, strengthen the market, and allow entrepreneurship to prosper.

There has been considerable growth of commercial and entrepreneurship associations since 1999. In that time their numbers have grown tenfold, and, at the time of writing, there are about 1500 organisations in existence. There is regulatory framework to govern their operations, and business associations have tended to develop on a sectoral basis. However, only a few dozen of them take a serious part in entrepreneurship development. Business associations have little influence on government decisions in the economy, and many associations are run with financial assistance from international organisations, rather than from membership fees. Many of the associations do not have enough staff to achieve their declared tasks and objectives.

The results of the women entrepreneurs’ survey showed the following in respect of their participation in business associations.

Approximately 40% of the surveyed women entrepreneurs were members of professional organisations. 15% of them were members of sectoral associations; 13% were members of the Union of Entrepreneurs; 6% were members of the Chamber of Commerce and Industry; 2% were members of associations supporting women entrepreneurs; one respondent was a member of the Employers Association; and 3 % were members of other associations.

An active role in women’s entrepreneurship development is being played by the Central Asian Association of Business Women (CAABW) and the Women Entrepreneurs Support Association of the Kyrgyz Republic (WESA), and by the Association of Microfinance Organisations.

The survey revealed that 54 women entrepreneurs had joined the Central Asian Association of Business Women (CAABW). The mission of the organisation is the overall development and fostering of women’s entrepreneurship in Central Asia.

The main tasks of the Association are as follows:

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- The achievement of high social status and prestige for women entrepreneurship in Central Asia;
  - The development of women initiative, entrepreneurship and innovation;
  - The consolidation of women entrepreneurs' efforts in establishing and developing progressive entrepreneurship forms;
  - The strengthening of mutual trust and reliability of business partnerships;
  - The development and implementation of targeted programmes and joint proposals on the main areas of activity of the Association;
  - The provision of legal, consulting and other assistance in support of the business initiatives of Association members;
  - The establishment and development of international markets.

The Women Entrepreneurs Support Association of the Kyrgyz Republic (WESA) unites economically active women in Kyrgyzstan through an initiative for the development and support of their potential in small and medium business. The Association has 72 women members. WESA's target group includes women entrepreneurs, as well as unemployed women of Kyrgyzstan.

The Association provides outreach and advice on legal issues, the drafting of business-plans, on ways to access credit, and provides information on funds, agencies, and business-seminars on entrepreneurship for beginners.

The Association of Microfinance Organisations was set up to support a favourable business environment and build the capacity of the micro-finance sector in Kyrgyzstan.

The main activities of the Association of Microfinance Organisations include lobbying for the improvement of current legislation on micro financing and n other issues relating to the interests of microfinance organisations. It also works to fostering interest in the microfinance sector through the organisation of conferences and seminars both independently and with the state bodies and public organisations. It also participates in international microfinance activities.

#### **5.4. Representation and participation of women entrepreneurs in dialogue between the state and private sector**

There are many mechanisms of forging partnerships between the public and private sector in Kyrgyzstan. These oversee the implementation of state policy on economic development, attracting foreign investments and entrepreneurship support. However, the most prominent public private partnership is the Investment Council, which is under the direction of the President of the Kyrgyz Republic. It brings together representatives of state authorities, main donors (international financial organisations) and the private sector (foreign and domestic investors). It was set up in 2007 by a Decree of the President of the Kyrgyz Republic. One of the main tasks of the Investment Council is the elaboration and preparation of recommendations and proposals on the improvement of the business environment and investment climate in the Kyrgyz Republic, which are then submitted to the President and the government.

All decisions are taken on the basis of discussions with business associations and the donor community. There are also other partnership mechanisms; however their activities remain quite limited. One exception is the Consultative Council under the State Customs Committee of the Kyrgyz Republic; it works on a permanent basis and discusses issues of how to improve customs administration. As far as the gender aspects of dialogue between the state and private sector are concerned, it has not been formally integrated into any of the legislation regulating the activity of these councils. However, representatives of women entrepreneurs actively participate in the activity of the Investment Council. For instance, the Chairperson of the Association of Agro-businessmen of Kyrgyzstan, Ms. Aziza Yuldasheva, has proposed initiatives on the improvement of the land market that were supported by the Investment Council. At the time of writing , the Parliament is reviewing amendments to a number of laws of the Kyrgyz Republic aimed at simplifying issues relating to collateral for accessing to credit for agricultural land. It would be advisable to include the issues of youth entrepreneurship support into the Investment Council agenda.



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## 5.5. Women entrepreneurs' access to information

Access to information plays an important role in the development of women's entrepreneurship. Overall, there is no regulatory gender discrimination with regard to access to information.

A UN report entitles 'Women's entrepreneurship: access to financing, information and computer technologies' from 2004 focused attention on women's access to information and computer technologies. The report aspires to eliminating the gender gap in access to information and computer technologies in Kyrgyzstan. In this respect, we would like to present a brief review of the situation with information and communication technologies in Kyrgyzstan (there is no gender statistics in this area).

The structure of information resources is currently incomplete in the Kyrgyzstan. There is no system in place for technology development; there are no departmental and regional information resources; and systems and technologies are being developed without any overall coordination.

The geographical spread of information services, resources and software products (information potential) is extremely uneven. They are primarily located in the capital, and in regional centres. Consequently, a geographical alignment of information resources is required. Reference and information services for the population are insufficient; and there is no comprehensive system of information services provided by state bodies consistent with international standards.

In 2005, only 10.5% of employees working in all sectors of the economy used information and communication technologies. In addition, 62% of employees who did use information and communication technologies were working at state enterprises.

An analysis of the stock of personal computers shows that the largest number of computers (30.5%) is concentrated in state bodies. The second place is taken by the education sector, where 25.1% of all personal computers are concentrated. As of 2007, there are 193 computers per 1000 employees nationwide.

Below, are some indicators regarding the situation with information and communication technologies<sup>38</sup>:

1. The number of local area networks in 2005: 4125 (85.5% in the non-state sector and 14.5 % in the state sector).
2. The number of the Internet access points: 5680 (54.8% in the non-state sector and 45.2 % in the state sector).
3. Electronic mail: 17,414 units (42.9% in the non-state sector and 57.1 % in the state sector).
4. Websites: 3,167 (30% in the non-state sector and 70% in the state sector).
5. The number of enterprises connected to the State Computer Network: 89 (13.5% in the non-state sector and 86.5 % in the state sector).

In addition, it is important to note that the state programme 'Electronic Commerce' has been adopted and is being implemented in the country. This programme is aimed at promoting new information technologies and ensuring wide access to information technology to all interested persons.

Below are the results of the women entrepreneurs' survey on access to information.

15% of women entrepreneurs indicated that they do not receive any information on business issues. 41% of women seek advice from other entrepreneurs; 27% receive information from newspapers; 21% from friends; 11% from the internet and associations of entrepreneurs; 6% from state publications; 5% from lawyers and accountants; 2% from professional business consultants; and 1% in the Chamber of Commerce.

13% receive information from other sources, including TV, the mass media, state bodies, information centres, the 'Toctom' data base and various publications.

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<sup>38</sup> National Statistics Committee of the KR "ICT in the KR in 2001–2005", 2007.

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63 women entrepreneurs (or 57%) received business advice within the last two years and, the lowest number of such women is in Kyzyl-Kia.

As far as gender issues are concerned, the vast majority of women consider that there are no differences in access to information between men and women (84%). Women rather believe that access to information is mainly affected by intelligence, levels of education and is not related to whether one is a man or a woman. However, 15% of women believe that men are better informed.

## 5.6. Participation of women in business promotion programmes

Broadening women's participation in business promotion is a high priority for Kyrgyzstan and must be viewed in the context of women's employment and of the existing social and economic system. At present business promotion in general and women's entrepreneurship in particular primarily consists of poverty reduction and is therefore directed towards vulnerable groups of population. The latest data shows that jobs cuts are significantly outrunning the creation of new jobs. In addition, the existing employment structure is typical for a low income country. Informal employment is growing and, at the time of writing accounts for 67% of total employment. Over 76% of the total informal employment is (1,293,300 persons) in the agricultural sector. It should be also be noted that over 1,016,700 persons work without any contracts. More than 59% of working population is self-employed and 8% are employed by individuals. At the same time, 75% of private entrepreneurs work in a low-paid activity.

This data confirms the need to ensure participation of women in business promotion, as they constitute the majority of people working in the informal sector. Women need to be included in entrepreneurship support measures, in the advocacy of their economic interests and in the development of the mechanisms designed to ensure that business promotion programmes being adopted are actually implemented.

At the time of writing, it is necessary to work out new approaches that would enable women to earn money and to create an environment favourable for strengthening entrepreneurship among the female population.

It is obvious that the development of women's entrepreneurship can be achieved only if there is active involvement of women entrepreneurs, women business associations, and other structures such as NGOs that support the development of SMEs in state structures. It is of prime importance that women communities play a leading role and actively participate in all these processes.

### **Box 3. Experience of the Public Fund "Bilek"**

In the framework of the project, 'Establishment of Business Incubator in the Batken Region', the market facility "Isfan" was rehabilitated. It was provided by the administrative board of the town of Isfan free of charge. The consequences of unemployment were mitigated by the creation of necessary conditions for entrepreneurship activity (provision of premises on preferential terms), training of entrepreneurs, setting permanently operating productions and the opening of a leasing fund.

The 'Leilek Micro-leasing Service' was set up as part of the business incubator. In 2005 it received funds for the purchase of equipment for leasing and provided permanent work to 26 entrepreneurs.

The aim of the 'Women Initiatives – Peaceful Communities' programme is to strengthen women's involvement in the prevention of potential ethnic and sub-ethnic conflicts in local communities. As a result, the 'Baibiche' club of women leaders of the Leilek region was set up and the main directions of its activity were defined.

In conclusion, it ought to be mentioned that administrative systems for women's entrepreneurship development are only at an incipient stage in Kyrgyzstan. The institutional environment and regulatory environment are in need of reform. It is characterised by weak organisational, material, technical, financial, and personnel components. A structure of women's entrepreneurship institutes is only being created now. Successful institutional development requires the adoption of a state-led WED strategy that should be developed with the participation of the business community, on the basis of rich international experience adjusted to the Kyrgyz social and economic context.

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## Conclusions

ILO calls upon the countries “to encourage support for female entrepreneurship, recognising the growing importance of women in the economy, through measures designed specifically for women who are or wish to become entrepreneurs”.

*ILO Recommendation 189, special provision (paragraph 16)*<sup>39</sup>

The survey showed that unfavourable conditions in the business environment create many difficulties for entrepreneurs. The purpose of these recommendations is to facilitate the creation of a favourable environment for business development by eliminating (alleviation) barriers that impede entrepreneurship and to overcome problems described by the authors in the previous sections of the report. The proposed recommendations encompass the regulatory framework for entrepreneurship activity, the development of an institutional infrastructure, and the financing of entrepreneurship and organisational activities. Special recommendations are given for the promotion of young women entrepreneurship in Kyrgyzstan.

### ***Recommendations for improvement of regulatory framework***

In order to meet the needs and demands of the entrepreneurs in the Republic, including women entrepreneurs the government ought:

- To improve tax legislation by enhancing the efficiency and transparency of the tax system by means of information and communication technologies and strengthening the ‘single window’ mechanism;
- To reduce state interference and regulation of small and medium entrepreneurship, and launch dialogue between the state and business community on the basis of active partnership;
- To simplify relations between state bodies and entrepreneurs and to base them on strict compliance with existing legal norms;
- To increase the overall efficiency of the state administration system by ceasing the duplicating functions of state administration and reducing of the number of these bodies;
- To adopt targeted state programmes for women’s entrepreneurship that include preferential access to credit and taxation.

There is a pressing need for legislative and regulatory acts that provide for support measures for young women’s entrepreneurship, and for the modification of state programmes of small business support to meet their needs.

The following should be taken into consideration in the course of these programmes:

- Identification of areas of women’s self-employment and areas of highest employment and economic potential, especially in rural areas, and increasing women’s awareness about possibilities of starting one’s own business;
- Rendering occupation guidance services;
- Professional training of women for self-employment, as well as entrepreneurship skills training for women;
- Provision of assistance to young women for the development of business plans as well as lending legal, organisational, technical and financial support.

### ***Recommendations on institutional infrastructure development***

General recommendations on the development of institutional basis for women entrepreneurship include:

- The development of information supports of women’s entrepreneurship, ensuring access to information necessary for doing business. It is advisable to set up information centres, the main functions of which would include the provision (free of charge) of information on the basics of entrepreneurship and the specific features of doing business in Kyrgyzstan.

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<sup>39</sup> ABC of women workers' rights and gender equality. International Labour Office, 2008.

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- The establishment of women business incubators: their establishment and development creates additional possibilities for financing and for attracting investments into women's small and medium enterprise development;
  - The establishment and development of innovation centres and technology parks: support and promotion for these structures will help to ensure the gradual transfer toward highly-technological and science-driven enterprises and away from traditional subsistence farming. Moreover, it will facilitate development and the creation of the more intellectual and innovative components of women's entrepreneurship.
  - The introduction of information and communication technologies into women's small and medium entrepreneurship will allow not only the expansion of entrepreneurship activities, and ensure broad access to information, but also create the conditions for lowering costs and strengthening cooperation and collaboration;
  - The introduction of a ban on the dissemination of traditional and religious views in state mass media.

One of the important conditions for strengthening the institutional basis for women's entrepreneurship would be to increase women entrepreneurs' involvement in associations and professional organisations by disseminating information on their activity among women. The key function of business associations in this area may include:

- Constructive dialogue with the government on improving the business environment;
- The drafting and publication of brochures, booklets and posters containing information on what should be done to start a business, how business is regulated by the state, and the stages of enterprise foundation, and the dissemination of these publications among women;
- Training of women on the basics of entrepreneurship activity: organisation of informational seminars and trainings to improve awareness of women entrepreneurs about the legislation on business regulation.

Finally, the key condition for success in women's entrepreneurship and overcoming gender stereotypes is to increase self-esteem among women entrepreneurs. In this connection it is necessary to:

- Carry out broad information campaigns aimed at the overcoming of gender stereotypes that impede women's progress.
- Provide targeted psychological support to women with an inferiority complex and women affected by gender stereotypes (that were revealed in the course of the survey).

The establishment and strengthening of government and non-government institutes of business support and development would play a constructive role for the promotion of young women's entrepreneurship.

It is necessary to develop partnerships with state structures, business associations, NGOs, and local communities to assess the specific problems for young women's entrepreneurship development, to carry out a situation analysis, and to take the measures such that young women perceive themselves as potential entrepreneurs.

A social support system for promoting young women's entrepreneurship should be created. The basic elements of this system should include the following:

- Specialised labour exchanges for young people;
- Government and non-government funds to support youth entrepreneurship in general, and among women in particular;
- Establishment of a network of centres for skills upgrading and retraining (financed both by the state employment services and by employers).
- State regulation of women's employment.

### ***Recommendations on the development of finance for women's entrepreneurship***

A comprehensive state programme of activities, supported by necessary resources, is needed to increase women's participation in private entrepreneurship, support of their economic initiatives and to broaden their economic possibilities. The main activities required include:

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- The development of a state strategy on ensuring women’s access to economic resources: property, profit, credit, information technologies and various forms of employment. The activities envisioned in the Country Development Strategy and in the National Action Plan for the Achievement of Gender Equality in the Kyrgyz Republic for 2007-2010 should be taken into consideration in the course of drafting this strategy.

It is also critical to develop focused micro-financing systems specialising in youth women’s entrepreneurship and to create the following for young women entrepreneurs:

- Simplified procedures for obtaining financial resources;
- Various subsidies such as low taxes and interest rates, long-term credit lines, leasing development, and means to rent production facilities.

### ***Organisational recommendations on women entrepreneurship promotion***

The following organisational activities are required for successful development of women’s entrepreneurship:

- A targeted socioeconomic analysis of women’s entrepreneurship in the Republic. This analysis should be aimed at identifying the main barriers and obstacles to the development of entrepreneurship, including among young women, and the elaboration of respective recommendations.
- Creation of a network for monitoring the process of women’s entrepreneurship development with the participation and cooperation of the Ministry of Labour and Social Protection, State Committee on Migration and Employment and other interested bodies.

It is also necessary to take into consideration specific features of rural areas, rural communities and to develop mechanisms to involve young women in rural areas into small-scale entrepreneurship. In this respect, it is very important:

- To involve key individuals of authority in the rural areas such as groups of reputable women baibiche, institute of Aksakal court, leadership of Aiyl Okmotu;
- To improve and develop the system of vocational training and retraining of young women in the context of the demands of a market economy;
- To organise comprehensive training on the basics of entrepreneurship activity with modules on the basics of management, psychology, ethics of entrepreneurship and project management. It is also advisable to include “leadership lessons” and “success stories” into the curriculum, by facilitating interactive lessons with famous successful women entrepreneurs in the Republic. These trainings are particularly important for the most vulnerable groups of women-entrepreneurs in the framework of the survey. The major focus should be on women occupied in border and shuttle business.

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## Annex

### Analysis of surveys in the cities of Bishkek, Tokmak and Kizil-Kia

110 women entrepreneurs interviewed, 110 filled in questionnaires received

#### Results

##### *A portrait of the woman entrepreneurs*

More than half of the respondents (57%) carry out entrepreneurial activity in trading, followed by production (22%) and services (18%). *Three answers were missing.*

24% of interviewees ran small businesses, 65% ran micro businesses, 7% medium sized businesses, and 2% large businesses. *Two answers were missing.*

The age categories were as follows: 40 to 55 years old (56%), 25 to 39 years old (25%), women above 55 years old (15%), women below 24 years old (3%).

Women with higher education constituted 55% of the sample, those with vocational education (19%), with secondary education (18%), incomplete higher education (5%), and incomplete secondary education (3%).

47% of the women were public servants prior to starting their businesses 20% of women were unemployed, 15% were working in public organisation, and 10% were employed in the private sector by another person. 6% of women were owners of other enterprises, one woman was working at the same enterprise in another position, and then became its owner; and one woman was working in a communal farm (kolkhoz).

##### *Description of the Enterprises*

The average age of the enterprises is 7.5 years; the modal value year of initiation was 2005 (13% of respondents). The oldest enterprise was initiated in 1991, the youngest in 2006.

50% of the women entrepreneurs were doing business on a patent basis, 25% of women are owners of individual private enterprises, limited liability companies account for 11%, 3% are cooperatives, 2% of women have initiated public associations and 2% joint-stock companies (RÍ), 1% run peasant farm enterprise, and 5% of entrepreneurs did not register their enterprises. *Three answers were missing.*

##### *Enterprise registration in public authorities*

An analysis of the legal structure and of public authorities where the enterprises are registered, showed that many women entrepreneurs do not have clear information on registration procedures.

Among reasons listed by women entrepreneurs for taking up entrepreneurial activity, the main ones reasons were: "I want to be my own master" (42%), "In the market I saw opportunities to initiate profitable business" (39%), "I can work when I want to work" (23%), need for money (16%), "I lost my previous job" (6%); "I am not qualified for other types of activity" (4%) and "I cannot find the job anywhere else 4%". 11% cited other reasons (for details see regional description).

45% of enterprises were created as a family business; 41% of enterprises were created by women on their own initiative; 8% were created together with co-partners; and 6% of enterprises were already functioning when bought by the woman entrepreneur.

It should be noted that, in general, the share of family members as a percentage of people employed full-time is rather low, at 7%. An exception to these figures is in Kizil Kia, where the figures stand at 34%). In the city of Bishkek it is 2%, and in the city of Tokmak 8%.



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Moreover, according to the survey, there are no significant gender differences in whether the women entrepreneurs chose a female or male business partner. In the city of Bishkek 12 had a male business partner and 17 a female partner (excluding the respondents themselves), in the city of Tokmak the respective numbers were 10 and 7, and in the city of Kizil-Kia 10 and 12.

35% of those interviewed stated that their enterprise is located in hard-wall premises, which is their own property; 30% of enterprises are located in the premises of other owners; 19% of enterprises are located outdoors; 11% occupy part of residential houses; and 5% occupy non-permanent structures.

35% have their own office premises; 27% rent office premises, and 39% neither own nor rent office premises.

The 79% of the women entrepreneurs trade at local markets, 11% of the entrepreneurs sell their products in international markets, 8% on regional or district markets, and 7% in national markets. A number of entrepreneurs sell their products at several markets

### ***Conducting business***

56% of interviewed women said that they have tried to get financial resources for their enterprises within last two years. 43% did not look for additional financial resources. *One answer was missing.*

36% of all interviewed women have tried to get financial resources in public or private banks. Of this number 83% succeeded. 7% of the respondents took credit from family members (friends), 7% from credit unions, 7% have turned to a micro-credit organisation and 5% have received funding from international agencies.

75% of women who own enterprises do not have separate bank account for the enterprise (25% do have a separate bank account).

40% of women entrepreneurs are members of trade unions; 15% are members of an industry association; 13% are members of an Employers' union; 6% are members of Chamber of Commerce and Industry; 2% are members of associations for women entrepreneurs; and one woman is a member of an employers association. 3% are members of other associations.

15% of women entrepreneurs said they do not receive information and advice on business issues. 41% of women turn to other entrepreneurs for advice, 27% use information from newspapers, 21% from friends, 11% from the Internet, 11% in employers' associations, 6% from state publications, 5% from legal counsels and accountants, 2% from professional consultant on entrepreneurial activity, and 1% in the Chamber of Commerce.

13% turn to other sources, including TV, mass media, public authorities, information centres, Toktom, and different literary sources etc (for details see regional description).

Public officials have visited 86% of women entrepreneurs to inspect their enterprises within last two years.

55% of women noted that they haven't been asked for a bribe within last two years, 17% indicated 2-5 cases of bribery, and 15% indicated more than 10 cases of bribery, and 7% of respondents indicated 1 case of bribery within last two years, and 4%, 6-10 cases of bribery. Moreover, it should be noted that even among women who did not face inspections of their premises, bribery has still been noted within last two years.

A clear majority of 86% of women indicated that that they had not been harassed by public officials; 12% responded that they had been harassed, and 2% did not respond to this question.

Among investments made by women entrepreneurs in their enterprise over the last two, the following percentages apply (11% of women did not invest in the enterprise in the last two years):

1. Increasing cash flow (57%);
2. Improvement of working conditions (45%);

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3. Purchase of additional working facilities (37%);
  4. Expansion of premises (34%);
  5. Improvement of working facilities (30%);
  6. Upgrading of old equipment (27%);
  7. Purchase of office facilities and construction of additional premises (15% each);
  8. Movement to more convenient premises (13%);
  9. Other investments, including repair, expansion of production and a range of goods/services (for details see regional description).

### ***Business development prospects***

15% of those interviewed do not plan for any changes in their businesses.

However the majority of women entrepreneurs do plan to make positive changes to their enterprises, namely:

1. Expansion of their range of goods/services (53%)
2. Expansion/improvement of production (45%);
3. New investments in production (25%);
4. Increase of labour force and improvement of employment conditions (15% each).

4% plan to reduce range of goods/services, and 2% plan to decrease labour force.

8% of women entrepreneurs do not know how they are going to develop their enterprise in the upcoming year. 5% plan to close their enterprise.

5% of respondents were undecided as to how their enterprise is going to operate in the upcoming two years because of the unstable economic situation in the country. 70% of entrepreneurs professed good prospects for their in the coming years. Of these 35% responded “well”, 29% responded “well, but could be better”; and 6% responded “very well”. This optimism is based on the following:

1. Improved enabling environment for small business development – 30%;
2. Free access to finance and loans – 30%;
3. Low costs of enterprise maintenance – 23%;
4. Governmental support for small enterprises – 22%;
5. Free access to business development networks – 15%;
6. Respondents’ efforts – 11%;
7. Demand for the produced goods/services – 10%;
8. Non-competitive conditions – 8%.

Of the 26% of entrepreneurs who responded that they had negative prospects for the upcoming year, the following answers were received: 4% “very bad”, and 22% “bad”. This pessimism was based on the following:

1. No governmental support for small enterprises – 16%;
2. No reform of the enabling environment for small business development and high costs of enterprise maintenance – 15% each;
3. Tough competition – 11%;
4. High taxes – 4%;
5. A bad enabling environment in the country, the economic crisis, and falling demand – 4%.
6. Restricted access to finance and loans – 2%.

5% of the women interviewed had knowledge of special programmes for women’s entrepreneurship development (especially the owners of sewing businesses, who are members of – Association Z.Akbogisheva). One entrepreneur said she is sure that such programmes are being developed, but that she is unaware of them.

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### ***Category “Gender”***

An analysis of the questionnaires showed that 15-20% of women feel that women’s rights are being violated and that certain gender inequality exists in issues of property, land, material and technical resources, access to information, and in preparedness for entrepreneurial activity.

21 women were selected for more detailed interviews. The analysis did not provide cross tabulations in respect of education, age etc.

However, several interesting aspects have been identified:

1. From the total number of non-registered enterprises (5 in total), 2 enterprises have fallen into this category.
2. As a rule, women were working on their own, without partners, 18 out of 21.
3. These women constitute almost 50% of those 18 women, who indicated sharp need for earnings.
4. Out of all unsuccessful attempts to take out a loan (per 110 women interviewed, there were 11 of such attempts), 5 attempts have fallen into this category.
5. And finally, 4 cases of harassment out of all 13 cases have also fallen into this category.

### ***Factors influencing the decision to invest money in the enterprise***

The market had an impact on investment decisions for 69% of women. Of them 14% indicated that it had a strong positive impact. 51% of entrepreneurs were influenced by advice of family members, friends, colleagues or members of employers associations (of them 6 % indicated a strong positive impact). Less than a half of the interviewed women entrepreneurs (45%) indicated that size, type and status of office premises played an important role in favour of increasing investments. Among factors that had a negative impact, the majority of entrepreneurs claimed that taxation (72%) and public policy towards business (61%) were important factors. Export to other countries did not have any impact on investment decisions for 72% of women entrepreneurs.

It should be noted, that a lot of women claimed high taxation and significant losses from power cuts.

### ***Factors influencing business registration***

More than a half of those interviewed (52%) said that the existing legal status of their enterprise had a strong impact on their decision to register their business. Less than half of the interviewed women entrepreneurs (42%) considered insurance and governmental protection as positive factors that influenced their decision to register their business.

However, more than one third of women consider that lack of support from the government (41%), high costs (38%) and time delays (37%) have a negative impact on their wish to register their enterprises; 53% of women think that time spent on the registration procedure does not have any impact on their decision and 46% of women also believe that costs do not have a strong impact on their decision to register their business.

### ***Additional questions***

Additional questions were asked in order to understand whether women entrepreneurs themselves think that women’s economic activity is limited due to gender discrimination.

The survey showed that on average 85% believe that women have equal access to resources, land and real estate; and do not point to any differences in the level of preparation for entrepreneurial activity between women and men. Key barriers in conducting business are considered to be customs and traditions (33%), and household responsibilities (43%).

The table below shows key survey results on additional questions.

**Table 3. Aggregated data on additional questions**

Why are large profitable businesses run mostly by men, while small businesses are equally run by women and men?	Result of initial distribution (results of privatisation)	20%
	In the Soviet times senior positions were occupied mainly by men	23%
	Men are risk-prone	24%
	Current customs and traditions	33%
	Other*	22%
Which barriers are women, who want to engage in a serious large scale business, not able to overcome?	Absence of initial capital	51%
	Low risk appetite	15%
	Housekeeping and child care responsibilities	43%
	Current customs and traditions	17%
	Other**	10%
Do women and men have equal opportunities in land tenure? <i>One answer is missing</i>	Yes	86%
	No	13%
Do women and men have equal opportunities in real estate ownership? <i>Two answers are missing</i>	Yes	85%
	No	13%
Do women and men have equal opportunities in tenure of material and technical recourses and other assets?	Yes	83%
	No	17%
Are there any differences in access to information between women and men? <i>One answer is missing</i>	Yes	15%
	No	84%
Are there any differences in level of preparation for entrepreneurial activity between women and men?	Yes	17%
	No	83%

Note:

\* Key variants of answer ‘Other’ were grouped as follows:

1. Housekeeping responsibilities and as a result less free time (7%).

Key comments:

- responsibilities within a family;

- 
- men have more free time, they do not allow women to dedicate a lot of time to work;
  - men have more time to build a career.
2. Mentality differences (8%).

Key comments:

- men are more inclined to large scale entrepreneurial activity , because men are shrewder;
- women cannot run a large enterprise; men are more stable, tolerant and tough;
- men are not able to be engaged in small entrepreneurial activity.

3. There are no differences, women also own and run large enterprises (5%).

*Key comments:*

- business depends on personality, not on gender ;
- conducting of business depends on personal characteristics and knowledge;
- *I think nowadays only women are engaged in large scale business.*

\*\* Key variants of answer ‘Other’ were grouped as follows:

1. There are no barriers (5%).
2. Lack of knowledge and opportunities (2%).
3. Don’t know (3%).

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