

RAPID ASSESSMENT:

ECOSYSTEM OF WOMEN AND YOUTH ENTREPRENEURSHIP

**in Osh, Jalal-Abad, and Batken Provinces of the
Kyrgyz Republic**

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ANNOTATION

This quick assessment analyzes the ecosystems of women and youth entrepreneurship in Osh, Jalal-Abad and Batken provinces of the Kyrgyz Republic. The starting point of the quick assessment was the launch of the UNDP project "Socio-economic recovery from negative consequences of COVID-19 in Batken, Jalal-Abad and Osh provinces of the Kyrgyz Republic" through the Russian Trust Fund "Russian Federation - UNDP" with financial support from the Russian Federation, which aims to strengthen social cohesion in the Fergana Valley through sustainable economic recovery to obtain highly skilled jobs, decent employment and improved health system. The main groups of direct beneficiaries of the project are unemployed women, returned migrants and young people. The methodology used included in-depth interviews, focus group discussions, as well as careful mapping based on the analytical framework developed by D. Isenberg. The object of the analysis was the southern provinces of the Kyrgyz Republic, the material was the secondary data collected by the authors on the ecosystems of women's and youth entrepreneurship.

Assessment of the ecosystem of women and youth entrepreneurship in Osh, Jalal-Abad, Batken provinces shows that in each of the six main provinces according to Isenberg women and youth entrepreneurship has a number of problems that significantly hinder its growth. The main problems identified by the assessment are related to the interaction with government agencies, the lack of available funding, weak horizontal linkages, low levels of education and the lack of local success stories. The introduction of a green economy is also experiencing significant challenges due to the lack of expertise on it among SMEs, as well as the long payback period.

The main recommendations developed on the basis of in-depth analysis to remove barriers are:

State. Digitalize all processes of interaction between the state and entrepreneurs to reduce corruption and barriers;

Horizontal links. Create horizontal links for rapid development of innovations through the development of platforms, associations, forums and communities;

Innovation. Improve product margins through innovation;

Success stories. Introduce values and ethical standards: 1) respect for employees 2) timely payment and formal employment. Encourage and highlight successful entrepreneurs.

Policy

1. Transformation from an individual enterprise to a legal entity is painful, with a higher level of costs associated with increased regulatory barriers, large official and unofficial payments and insufficient access to financial resources.

Recommendation: Simplify the process of registering a legal entity by eliminating the human factor - digitalization of processes.

2. Difficulties in obtaining a business license.

Recommendation: Reduce the number and automate the process of issuing licenses by the state, introduce a moratorium on the introduction of new licenses.

3. Having acquaintances in government agencies is one of the key advantages when starting a business.

Recommendation: Eliminate contact of entrepreneurs with representatives of state bodies through automation to minimize corruption risks.

Finance

4. The high interest rate at the early stages of business development and the mandatory availability of collateral are burdensome for start-up entrepreneurs.

Recommendation: Continue to finance SMEs through grant programs, but with increased use of the business approach for greater sustainability (examples Accelerate Prosperity, John Galt).

5. Entrepreneurs solve the problem of shortage of working capital by refinancing.

Recommendation: Develop financial literacy programs.

Culture

6. Due to the lack of trust in the existing institutions of government and business, there is a low level of synergy and social cohesion: entrepreneurs prefer to work alone, do not share information and do not see the value of communities.

Recommendation: Support developing communities of entrepreneurs (associations, platforms, forums, etc.), develop horizontal links.

7. Weakly developed culture of doing business based on bringing benefits to society, through the creation of new services and goods, innovation, and creativity.

Recommendation: Promote success stories in the media, expand the horizons of knowledge about the opportunities of high-margin businesses and

professions.

8. No local media success stories.

Recommendation: Increase the presence and media coverage of success stories built by local entrepreneurs.

Human capital

9. The modern education system reproduces human resources of low productivity.

Recommendation: Promote alternative skill development opportunities through short-term education with further employment, for migrants, women, and youth.

10. Low level of trust in the transparency of the recruitment process, the majority of respondents believe that having friends in a particular company makes it easier to find a job and they hire primarily from their acquaintances.

Recommendation: Promote in the media success stories of businesses built on mutually beneficial cooperation with personnel and transparent selection procedures.

11. Women and girls who started applying for remote positions in foreign companies noted that due to the lack of necessary skills they did not go beyond the initial stages of the selection process.

Recommendation: Strengthen horizontal links among women entrepreneurs to facilitate the dissemination of successful practices.

Support

12. Most of the existing consulting companies are focused on providing services to large enterprises, because they appear to be more solvent.

Recommendation: Support the development of Entrepreneur Service Centers and Business Support Centers (BSCs), and the dissemination of knowledge through horizontal links.

Market

13. Higher prices for raw materials lead to an increase in the final cost of products and services, which adversely affects purchasing power in the regions.

Recommendation: Innovate to move to more marginal non-resource businesses and/or to improve margins in current businesses.

14. Post-covid conditions for the import and export of any product entails large

financial and resource costs.

Recommendation: Digitalize state customs structures to improve the quality and reduce the time needed to provide services.

LIST OF TERMS AND ABBREVIATIONS

Returned migrants — in this study: migrants who have been in the place of permanent residence for at least one year

SMEs — Small and medium-sized enterprises

FGD — Focus Group Discussions

IDI — In-Depth Interview

GDP — Gross Domestic Product

ILO — International Labor Organization

Small and medium-sized enterprise — legal entities, commercial enterprises, regardless of the legal form of business, which have the number of employees in accordance with the Decree of the Government of the Kyrgyz Republic No. 78 "On the Basic Scheme of the Classifier of Types of Enterprises" dated 17 February 1998 and No. 590 "On Amending the Decree of the Government of the Kyrgyz Republic No. 78 dated 17 February 1998" dated 29 August 2002:

- in agriculture, hunting and forestry; fishing and fish farming; mining; manufacturing; production and distribution of electricity, gas and water; construction - 50 people (small enterprises) and from 51 to 200 people (medium enterprises).
- in enterprises engaged in trade; repair of cars, household goods and personal items; provision of services by hotels and restaurants; transport and communications; financial activities; operations with real estate, renting and provision of services to consumers; education; health and social services; provision of utilities, social and personal services - 15 people (small enterprises) and from 16 to 50 people - (medium-sized enterprises).¹

¹ National Statistical Committee of the Kyrgyz Republic

PROJECT SUMMARY

Project title: Socio-economic recovery from negative consequences of COVID-19 in Batken, Jalal-Abad and Osh provinces of the Kyrgyz Republic

Project type: quick assessment of the entrepreneurial ecosystem

Project goal: To assess the barriers faced by women, youth, and returned migrants in entrepreneurship and productive self-employment in the formal sector and provide recommendations on how they can be overcome by proposing national interventions that relevant actors can lead in the Kyrgyz Republic.

Beneficiaries: women, youth, and returning migrants

Region: Osh, Jalal-Abad and Batken provinces

Participants: John Galt business accelerator, sociologist, moderator, female interviewees, returned migrants and young people in entrepreneurship, focus group participants - unemployed young women, female migrants and male migrants.

INTRODUCTION

The main driver of economic growth and development of the country is entrepreneurship, especially the sector of small and medium-sized enterprises (SMEs). This sector is the least sensitive to external changes, creates new jobs, thus improving the overall state of the country's economy, brings innovative products and services to the market, and increases the welfare of the population.

At present, the economic and political conditions in the Kyrgyz Republic for business development are improving. Nevertheless, the contribution of SMEs to Kyrgyzstan's gross domestic product is much lower than in developed countries. At the same time, over the last 10 years there has been a decline in the share of SMEs in the country's GDP from 46% in 2008 to 33% in 2021 (NSC data, 2021). The reason for this situation lies not only in the number and quality of entrepreneurs themselves, but also in the level of development of the entrepreneurial ecosystem.

In April 2021, UNDP launched the project "Socio-economic recovery from negative consequences of COVID-19 in Batken, Jalal-Abad and Osh provinces of the Kyrgyz Republic" through the Russian Trust Fund "Russian Federation - UNDP" with the financial support of the Russian Federation. The project aims to strengthen social cohesion in the Fergana Valley through sustainable economic recovery for highly skilled jobs, decent employment and improved health care system. The main groups of direct beneficiaries are unemployed women, returned migrants and youth.

As part of this project, a quick assessment study was conducted in the target regions of the Kyrgyz Republic. The overall objective of the quick assessment study is to collect and obtain reliable data from business representatives on the current state of affairs and to build an ecosystem mapping of women and youth

entrepreneurship, to understand the role of its main components.

The Concept and Essence of the Entrepreneurial Ecosystem

The term "entrepreneurial ecosystem" was first mentioned in the work of economist Valdez J., *The Entrepreneurial Ecosystem: Toward a Theory of New Business Formation*: "the ecosystem structure for considering the formation or launching of a new business contains two dynamic elements: the entrepreneur (or, more precisely, the potential entrepreneur) and the entrepreneurial environment" (Valdez, 1988).

Further studies of entrepreneurial ecosystems have been continued by other academic economists, but it took several decades for the concept to be recognized by a wider audience. Currently, there are several models for studying entrepreneurial systems, but in the context of regional entrepreneurial development the most complete picture is presented in the work of Dr. Isenberg D.

In 2010, Isenberg emphasized the practical relevance of entrepreneurial ecosystems. He gave a broader concept than his predecessors: "the entrepreneurial ecosystem consists of a set of distinct elements, such as leadership, culture, capital markets and customers, which combine with each other in complex ways" (Isenberg, 2010). Also, in his work, Isenberg proposes six domains (areas), the integral parts of the ecosystem, which became the theoretical basis for the analysis in this study:

1) Policy:

- the rules and regulations governing entrepreneurship;
- government support;
- legal framework;

2) Finance:

- availability of business angels, venture capitalists, venture funds;
- the ability to obtain loans and microcredits;

3) Culture:

- social norms in the region;
- availability of stories of successful entrepreneurs that inspire success;
- social status of existing entrepreneurs;
- the desire of young people to entrepreneurship;

4) Human capital:

- the level of education, as well as the qualifications of workers;
- availability of training and education for entrepreneurs

5) Support:

- quality infrastructure of the region (transport, logistics, electricity, telecommunications);
- availability of professional services (lawyers, accountants, programmers);
- non-state structures (public business organizations, exhibitions, conferences);

6) Market:

- willingness of consumers to buy goods from new entrepreneurs;
- supply channels;

- cooperation of entrepreneurs among themselves;
- international communications.

STUDY GOALS

1. Analyze the ecosystem of women and youth entrepreneurship in Osh, Jalal-Abad, and Batken provinces of the Kyrgyz Republic;
2. Identify ecosystem gaps that impede the promotion of women and youth entrepreneurship involving returned migrants.

STUDY OBJECTIVES

1. Study the role of existing ecosystem components: policy, finance, culture, support, human capital and markets in the development of the entrepreneurial ecosystem in Osh, Jalal-Abad, Batken provinces of the Kyrgyz Republic;
2. Map the key players in the national entrepreneurial ecosystem, their role and services in the ecosystem, and their relationships and linkages with other ecosystem stakeholders;
3. Analyze SMEs demand for the volume and quality of skills needed. Identify key missing skills that need to be taught to women, youth and returned migrants for self-employment;
4. Identify motivating factors that encourage young people to improve their skills in entrepreneurial activities;
5. Study the quality of the business climate to create a favorable environment that stimulates youth entrepreneurship;
6. Identify the main difficulties for women, youth and returned migrants to access finance and resource management to start and improve entrepreneurship;
7. Understand the cultural aspects, attitudes, opinions, and experiences of women, young people, and returned migrants in the field of entrepreneurship, and the likelihood of becoming a young entrepreneur;
8. Identify obstacles and make recommendations from different perspectives related to environmental, gender, unstable conditions and/or digital entrepreneurship.

GEOGRAPHY OF THE STUDY

Osh, Batken, and Jalal-Abad provinces of the Kyrgyz Republic.



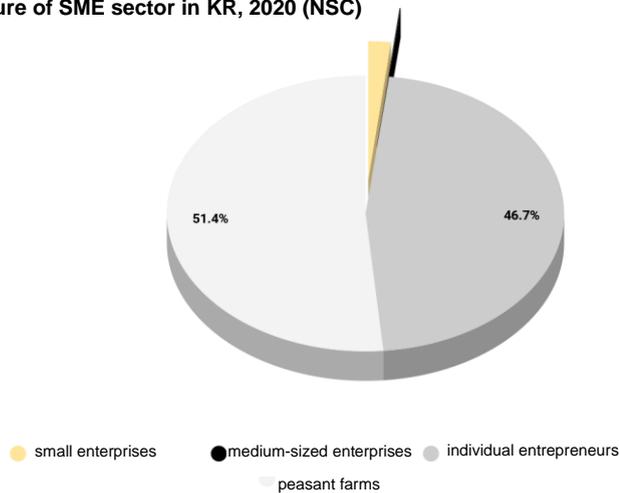
The population of the three study provinces is 3.5 million people at the beginning of 2021 according to the National Statistical Committee of the Kyrgyz Republic. At the same time, the share of young people (according to the UN definition of "youth" for statistical purposes with an age range of 15-24) is 16%. If we expand the age range to 15-29 years old, the share will increase to 34%. As we can see from these data, the share of youth in three study provinces is quite significant.

	Total population			Urban population			Rural population		
	both genders	M	F	both genders	M	F	both genders	M	F
Batken province	548,247	279,225	269,022	129,949	64,502	65,447	418,298	214,723	203,575
Jalal-Abad province	1,260,617	634,558	626,059	272,569	131,737	140,832	988,048	502,821	485,227
Osh province	1,391,649	703,628	688,021	107,639	53,692	53,947	1,284,010	649,936	634,074
Osh city	322,164	156,610	165,554	292,806	141,566	151,240	29,358	15,044	14,314
TOTAL	3,522,677	1,774,021	1,748,656	802,963	391,497	411,466	2,719,714	1,382,524	1,337,190
by age									
15	59,542	30,426	29,116	12,188	6,264	5,924	47,354	24,162	23,192
16	60,820	31,209	29,611	12,239	6,266	5,973	48,581	24,943	23,638
17	56,634	28,798	27,836	11,257	5,630	5,627	45,377	23,168	22,209
18	55,483	28,276	27,207	10,461	5,287	5,174	45,022	22,989	22,033
19	53,115	27,124	25,991	10,331	5,187	5,144	42,784	21,937	20,847
20	55,208	28,306	26,902	10,865	5,549	5,316	44,343	22,757	21,586
21	57,343	29,362	27,981	11,510	5,908	5,602	45,833	23,454	22,379
22	59,093	30,178	28,915	11,540	5,873	5,667	47,553	24,305	23,248
23	59,611	30,524	29,087	11,219	5,680	5,539	48,392	24,844	23,548
24	62,365	32,087	30,278	12,351	6,165	6,186	50,014	25,922	24,092
TOTAL, 15-24	579,214	296,290	282,924	113,961	57,809	56,152	465,253	238,481	226,772
Percentage of youth	16%	17%	16%	14%	15%	14%	17%	17%	17%

Source: National Statistical Committee of the Kyrgyz Republic, data as of the beginning of 2021

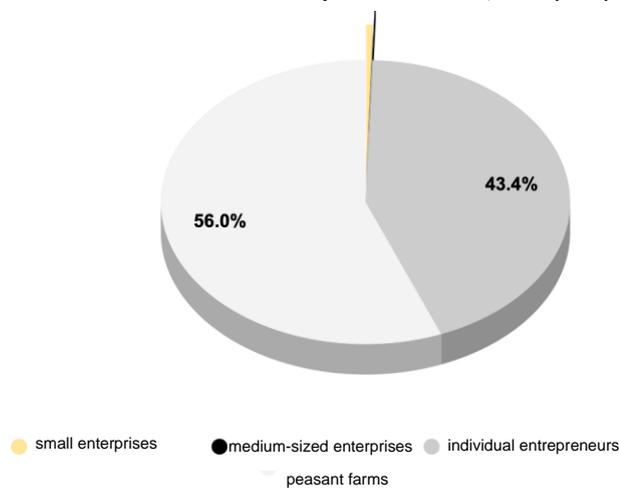
At the end of 2020, the SME sector in the Kyrgyz Republic was represented by almost 900,000 small and medium-sized enterprises (of which 17,000 were small and medium-sized enterprises). The structure of the sector was dominated by individual entrepreneurs and peasant farms (see graph below) - the percentage of small and medium-sized enterprises was 1.8% and 0.1%, respectively.

Structure of SME sector in KR, 2020 (NSC)



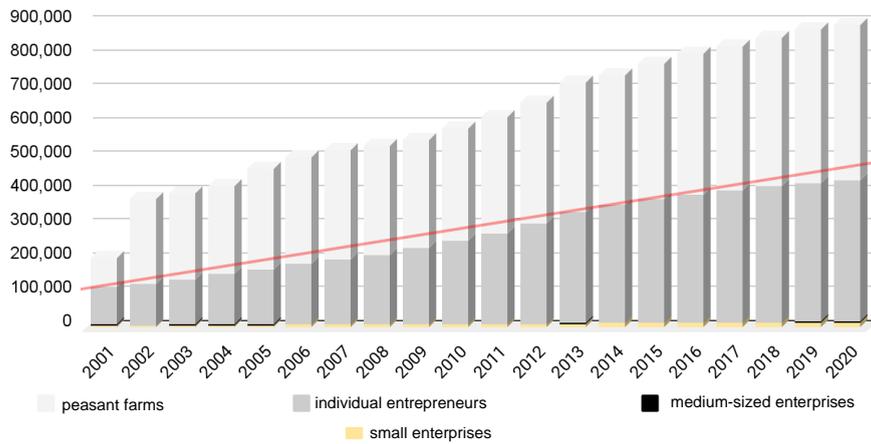
The structure of the SME sector in the three southern provinces of the country for the same period differs slightly - the dominant majority remains with peasant farms and individual enterprises.

Structure of SME sector in southern provinces of KR, 2020 (NSC)

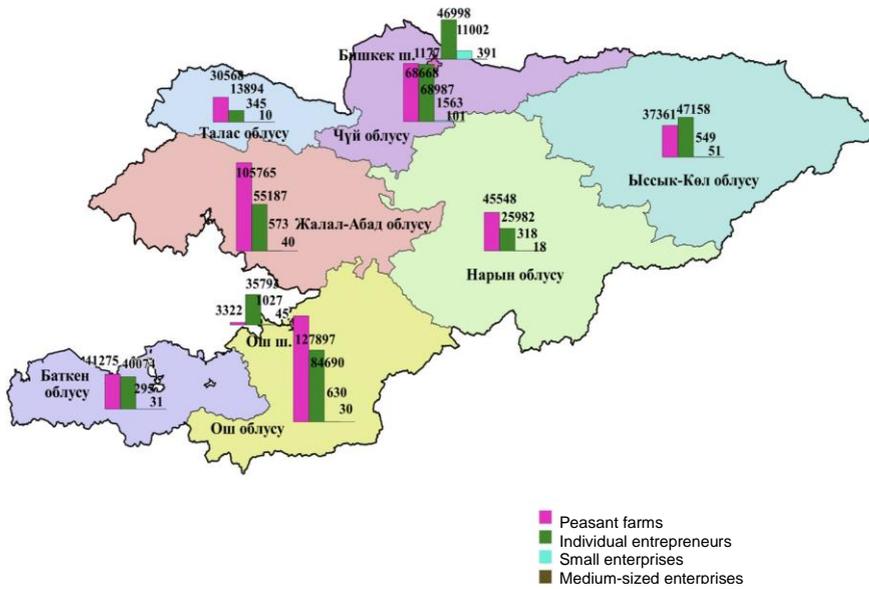


The number of small and medium-sized businesses in the country increased from 205,000 in 2001 to almost 900,000 in 2020.

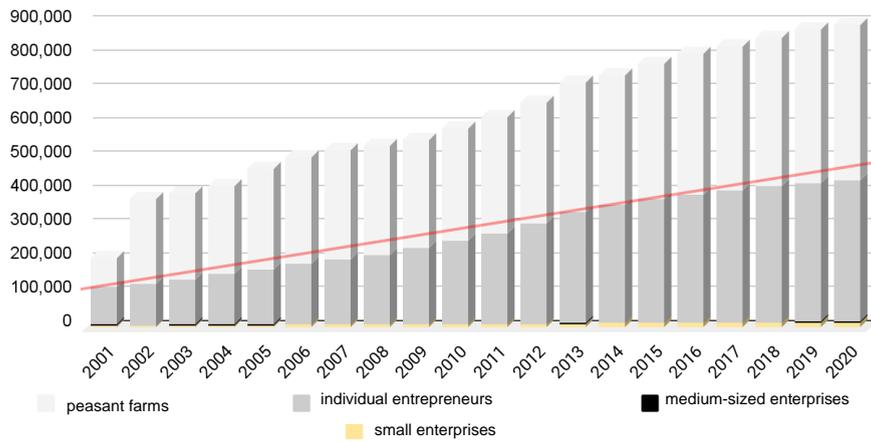
Dynamics of SMEs development in KR (NSC)



The southern provinces of the Kyrgyz Republic had almost 500,000 small and medium-sized businesses at the end of 2020 (see map below) - a 6.9-fold increase since 2001, when the number was 72,000. Small and medium-sized enterprises in the south of the Kyrgyz Republic were almost 2,700 in 2020.



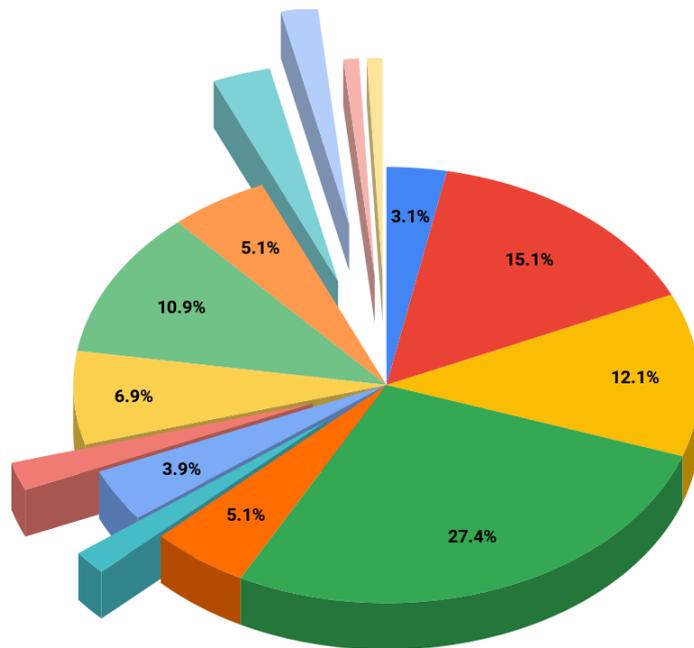
Dynamics of SMEs development in KR (NSC)



The structure of economic activity of small and medium-sized enterprises in the Kyrgyz Republic in 2020 is as follows: the three largest segments of the structure in descending order are trade and repair of cars (1), industry (2), and construction (3).

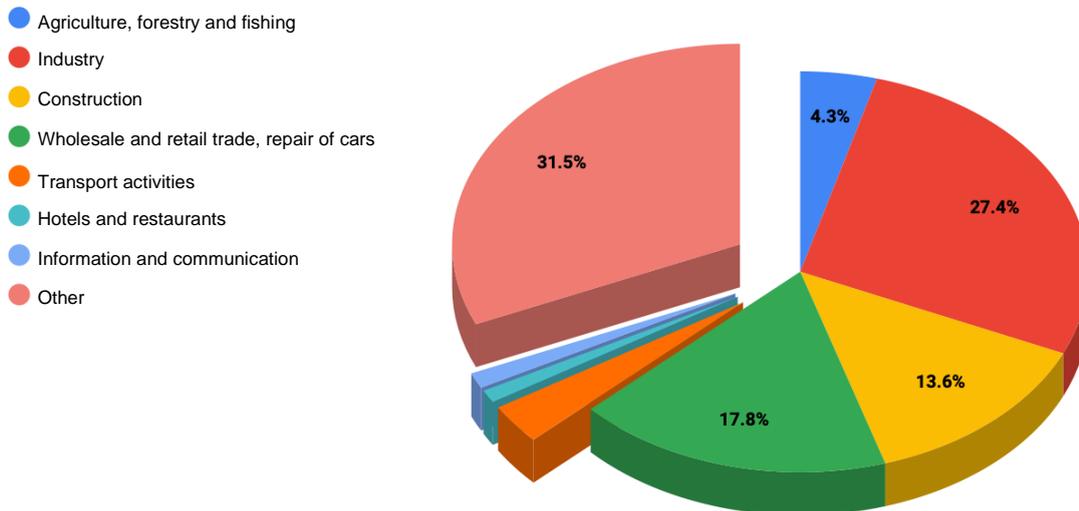
Economic activity of SMEs in KR, 2020

- Agriculture, forestry and fishing
- Industry
- Construction
- Wholesale and retail trade, repair of cars
- Transport activities
- Hotels and restaurants
- Information and communication
- Financial intermediation
- Real estate operations
- Professional technical-scientific activity
- Administrative and support activities
- Education
- Healthcare
- Arts, entertainment and recreation
- Other servicing activities



At the same time, in the southern provinces of the country in the same year, the largest sectors are the same sectors, with the only difference that the share of industry is greater, and trade is in second place and auto repair with construction is only in third place.

Economic activity of SMEs in the south of KR, 2020



STUDY METHODOLOGY

To achieve these goals and objectives of the study, 1) desk analysis of existing resources and data was applied; and a qualitative study was conducted using 2) in-depth interviews and 3) focus group discussions. Guides were developed as study tools for conducting focus group discussions and in-depth interviews.

A. Thus, the study process was divided into the following stages:

1. Desk review of secondary data, such as research materials published by public libraries, official government statistics of reports from relevant departments and professional associations, and other sources;
2. In-depth interviews (IDI). In-depth interviews with representatives of businesses and business associations to obtain empirical data that is not publicly available. In-depth interviews covered questions about internal problems and difficulties faced by entrepreneurs in their activities;
3. Gathering information through focus group discussions (FGDs) with unemployed representatives of the population to identify key problems in the employment process, their methods of solution, as well as to identify the main missing skills that need to be taught to women, young people and returned migrants for self-employment.

B. The field work was organized as follows:

1. Developing survey forms for in-depth interviews and FGDs;
2. Instructing field specialists to prepare for data collection;
3. Preparing lists and contacts of potential interviewees;
4. Calling respondents for consent to participate in interviews and FGDs;
5. Conducting interviews and FGDs with audio recording;
6. Transcribing and analyzing obtained data.

These data collection methods allowed the assessment team to: (a) collect reliable empirical data, (b) capture the views of business representatives (youth and women) and business organizations (c) identify key results and provide reliable conclusions, and (d) provide recommendations. Each proposed approach to data collection is described in more detail below.

In-Depth Interview

An in-depth interview is an informal, pre-planned, face-to-face interview with a respondent using techniques that guide respondents to an in-depth and thorough discussion of a range of study topics. An in-depth interview involves getting detailed answers to study questions, rather than filling out a formal questionnaire.

In this study, in-depth interviews have several advantages with respect to collecting data from business representatives and business associations:

- Ability to communicate freely with target respondents who are overly sensitive to the comments of others or who are not inclined to discuss certain issues publicly; for example, topics of finance or administration;
- Control of the completeness of the received information;
- Ability to obtain more detailed information about the respondent's opinions, motives, and perceptions, as the researcher focuses on one person;
- Forming a more concentrated respondent's attitude to the survey as a result of the individual interview;
- Ability to adjust the course of the study by the interviewer, if necessary.

Table 1. Sampling for in-depth interviews

#	Province	IDI			
		Women entrepreneurs	Young entrepreneurs	Returned migrant entrepreneurs	Business associations NGOs
1	Osh	5	5	5	4
2	Batken	5	5	5	3
3	Jalal-Abad	5	5	5	3
Total		55			

Key issues covered during in-depth interviews:

- 1) With representatives of Business Associations/NGOs:
 - Define the role of the organization in the entrepreneurial ecosystem;
 - Identify the main obstacles to effective interaction between the components of the entrepreneurial ecosystem;
 - Identify ways in which organizations interact with various administrative bodies;
 - Identify how green and inclusive business interests are articulated and communicated to government.
- 2) With representatives of business (entrepreneurs):
 - Examine the role of existing ecosystem components: policy, finance, culture, support, human capital, and markets in the development of the entrepreneurial ecosystem;
 - Understand the cultural aspects, attitudes, opinions, and experiences of women, young people, and returned migrants in the field of entrepreneurship;
 - Identify the main obstacles to business development;
 - Identify key challenges for women, youth, and returned migrants in accessing finance and managing resources to improve entrepreneurship;
 - Identify obstacles and make recommendations from different perspectives related to environmental, gender, unstable conditions and/or digital entrepreneurship.

Focus Group Discussions

When conducting Focus Group Discussions, it is important to group respondents with similar characteristics, and in order to achieve an extended and free discussion, due to the regional cultural specificities of the areas studied, FGDs were organized with women and men separately. The target audience for the FGDs was unemployed returned migrants and young women. Table 2 provides a detailed breakdown of the FGD groups:

Table 2. Sampling for FGDs

#	Province	Settlement	FGDs		
			Unemployed migrant women	Unemployed migrant men	Unemployed young women
1	Osh	Osh city	1	1	1
2	Batken	Batken city	1	1	1

3	Jalal-Abad	Jalal-Abad city	1	1	
Total			8		

Key issues covered during FGDs:

- Identify the motivating factors that encourage young people to improve their skills;
- Identify the main challenges for women, youth, and returned migrants in accessing finance and managing resources to start and improve entrepreneurship;
- Identify key missing skills that need to be taught to women, youth, and returned migrants for self-employment.

Limitations of the Study

This express study is based on a qualitative data collection strategy and does not meet the requirements of representativeness.

ANALYSIS OF EXISTING ECOSYSTEM

The following data were obtained from in-depth interviews (total number of IDIs - 45):

- 42 respondents have no experience with green technologies, 3 of the total number of respondents try to recycle and reuse waste
- 40 respondents showed confidence in grant programs, especially if they are international, and expressed a desire to participate in such programs
- 26 respondents said that success stories would help them greatly in their development and motivate young people to do business
- 23 respondents have experience or desire to conduct training for their employees
- 23 respondents noted that having acquaintances in government agencies makes it easier to do business
- 18 respondents have heard of acceleration or incubation programs
- 18 respondents from 45 IDIs participated in trainings, 5 of them noted that they did not benefit from the trainings
- 16 respondents say that the government hinders the development of business
- 15 respondents have said that there are cultural characteristics, of which 6 respondents highlighted religious influence, the other 9 - mentality
- 14 respondents have experience in obtaining financing from banks of the Kyrgyz Republic, 4 respondents have received financial assistance from supporting business organizations, 7 respondents have received financial assistance from their relatives
- 2 respondents are members of business clubs (JIAs), while 16 respondents

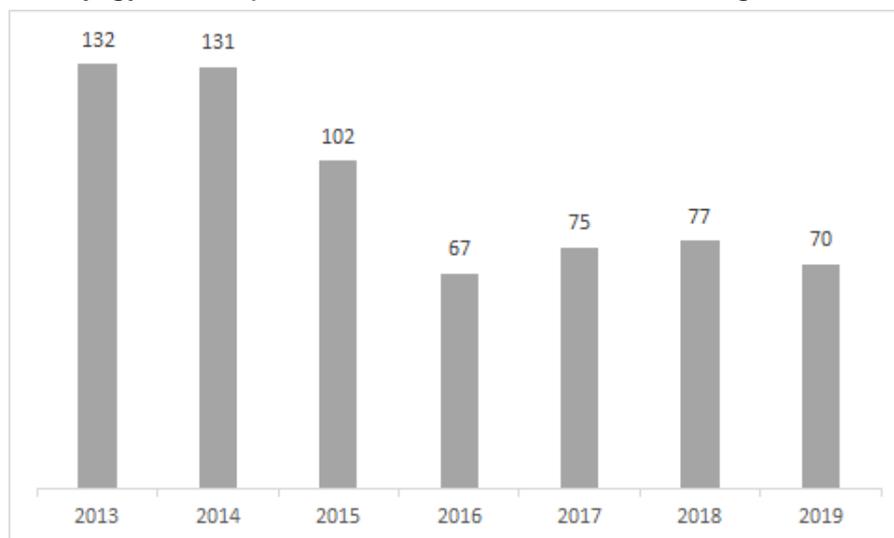
- would like to be members of such associations
- The main problems faced by entrepreneurs:
 - респондентов lack of funding - 14 respondents
 - increase in prices for imported goods and raw materials - 6 respondents
 - lack of quality personnel - 9 respondents
 - lack of reliable suppliers - 6 respondents

A. Policy

In Kyrgyzstan, the process of forming small enterprises at the state level began in 1990 with the release of the Resolution of the Government of the Kyrgyz Republic "On Measures for the Development of Small Enterprises". Subsequently, a number of measures were taken to improve the country's business environment. Over the past 10 years the country's investment climate has improved from Kyrgyzstan's accession to the WTO, participation in international investment and trade agreements, simplification of tax and customs administration procedures and business registration.

However, compared to other countries, in the World Bank's "Doing Business" ranking (Evaluating Countries on the Ease of Doing Business), Kyrgyzstan continues to be not the most advanced (Figure 1). For comparison, according to 2019 data, Kazakhstan ranks 25th in the ranking, Uzbekistan - 69th.

Figure 1: Kyrgyzstan's position in the World Bank's "Doing Business" ranking



A significant shift in the ranking in 2015 is due to changes in the methodology of calculating the index - before that, landlocked countries, including Kyrgyzstan, were losing their positions due to their geographic location. The changes in the World Bank's methodology took this injustice into account and changed the methodology for calculating the "International Trade" indicator. (S. Khasanova, 2019). As a result, all Central Asian countries have improved their consolidated positions in the ranking (Table 3)

Table 3: Central Asian countries in the World Bank's "Doing Business" ranking

Country	2015 ranking	Change in methodology ➔	2015 ranking	Reforms ➔	2015 ranking
Kyrgyzstan	102		67		70
Kazakhstan	77	41	28		
Uzbekistan	141	87	76		
Tajikistan	166	132	126		

As can be seen from the table, Kyrgyzstan ranks second among the Central Asian countries after Kazakhstan. In addition to changes in methodology, in 2016 the country strengthened its high position in the ranking due to the implementation of a number of measures aimed at simplifying the process of business registration and the introduction of the Single Window for SMEs registration.

Despite the ongoing reforms, not all of them are working in practice.

Barriers faced by entrepreneurs due to reforms:

1. Transformation from an individual enterprise to a legal entity is painful, with higher costs associated with higher regulatory barriers, large official and unofficial payments, and insufficient access to financial resources (S. Khasanova, 2019). As a result, there has been a decline in the number of medium-sized enterprises, from 885 in 2008 to 679 in 2020;
2. Difficulties in obtaining a business license;
3. Having acquaintances in government agencies is one of the key advantages:

«Because we have acquaintances all ended successfully (getting a license), but I have colleagues who cannot get a license for two years now, because of corruption, asking a lot of money. Especially in the field of architecture».

M., Cosmetology Clinic, Osh province

When asked whether the legislative part supports or hinders business, the majority of respondents said it hinders:

«They come with inspections every day. As long as you don't put money in their pockets ».

A., Clothing Shop, Jalal-Abad province

Thus, the development of the SME sector in Kyrgyzstan is limited by a number of problems on the part of the state: administrative barriers, high levels of corruption, as well as the inability of government agencies to carry out systematic reforms in the business environment.

B. Finance

The statistics of loans from commercial banks of the Kyrgyz Republic for the period from 2019 to 2021, presented by the National Bank of the Kyrgyz Republic, shows an increase in loans after the decline in COVID-19 activity. Due to the deteriorating economic situation of entrepreneurs, they were forced to take loans.

The breakdown by provinces is as follows:

1. In Jalal-Abad province there is an increase in loans for the development of agriculture, procurement and processing, especially the amount of loans from the first quarter of 2021 has increased (Table 4).
2. In Osh province, most of the loans are taken for agriculture and trade. Until 2020 the amount of loans increased every year, starting from the 3rd quarter of 2020 with each quarter the amount increased by about 1 million. After the easing of restrictions due to the pandemic, small and medium-sized businesses took loans to rebuild their businesses (Table 5).
3. Batken province shows relatively uniform issuance of loans, which may be evidence of less stringent quarantine restrictions for businesses than in Osh, as a result of which businesses were able to operate relatively as before (Table 6).

Table 4. National Bank of the Kyrgyz Republic. "Loans of commercial banks in the context of provinces of the Kyrgyz Republic, Jalal-Abad"

Period	Total	Industry	Agriculture, procurement and processing	Trade and commercial operations	Construction
Quarter 1 of 2019	8 397 019	463 565	5 303 282	2 278 510	351 662
Quarter 2 of 2019	9 335 426	525 426	5 940 391	2 456 239	413 370
Quarter 3 of 2019	9 723 187	506 761	6 032 996	2 463 555	719 875
Quarter 4 of 2019	8 550 249	248 858	5 006 644	2 500 300	794 446
Quarter 1 of 2020	8 824 838	292 799	5 061 424	2 618 876	851 741
Quarter 2 of 2020	9 290 299	297 594	5 499 452	2 635 358	857 895
Quarter 3 of 2020	9 720 424	345 740	5 765 878	2 673 676	935 130
Quarter 4 of 2020	9 737 451	324 817	5 767 309	2 686 045	959 280
Quarter 1 of 2021	11 584 379	582 527	7 207 374	2 856 860	937 618
Quarter 2 of 2021	12 228 688	587 784	7 583 799	3 057 240	999 865
Quarter 3 of 2021	12 277 674	605 339	7 451 816	3 141 633	1 078 886

Table 5. National Bank of the Kyrgyz Republic. "Loans of commercial banks in the context of provinces of the Kyrgyz Republic, Osh"

Period	Total	Industry	Agriculture, procurement and processing	Trade and commercial operations	Construction
Quarter 1 of 2019	10 243 196	777 215	4 385 543	4 422 418	658 020
Quarter 2 of 2019	11 157 045	832 060	4 906 486	4 491 480	927 019
Quarter 3 of 2019	11 727 139	776 245	5 150 788	4 813 759	986 347
Quarter 4 of 2019	11 864 729	1 052 942	5 231 211	4 593 984	986 591
Quarter 1 of 2020	12 380 019	1 097 920	5 159 323	5 047 201	1 075 575
Quarter 2 of 2020	12 808 592	1 196 439	5 539 908	4 966 731	1 105 513
Quarter 3 of 2020	12 986 970	1 355 281	5 569 898	4 894 700	1 167 091
Quarter 4 of 2020	13 127 599	1 392 511	5 530 759	4 976 068	1 228 261
Quarter 1 of 2021	13 641 752	1 402 667	5 880 132	5 136 940	1 222 013
Quarter 2 of 2021	14 779 727	1 539 529	6 384 122	5 544 465	1 311 612
Quarter 3 of 2021	15 540 715	1 532 713	6 488 779	6 175 660	1 343 564

Table 6. National Bank of the Kyrgyz Republic. "Loans of commercial banks in the context of provinces of the Kyrgyz Republic, Batken"

Period	Total	Industry	Agriculture, procurement and processing	Trade and commercial operations	Construction
Quarter 1 of 2019	3 016 013	291 265	1 617 352	890 041	217 354
Quarter 2 of 2019	3 312 993	327 854	1 770 075	951 110	263 953
Quarter 3 of 2019	3 387 336	328 308	1 809 266	953 560	296 201
Quarter 4 of 2019	3 486 297	369 302	1 857 349	951 136	308 511
Quarter 1 of 2020	3 528 677	399 098	1 827 144	1 005 390	297 046
Quarter 2 of 2020	3 565 223	399 294	1 907 770	967 828	290 332
Quarter 3 of 2020	3 677 097	437 489	1 961 597	976 814	301 197
Quarter 4 of 2020	3 668 822	421 474	1 935 900	1 002 764	308 683
Quarter 1 of 2021	3 781 037	423 217	2 009 754	1 048 423	299 643
Quarter 2 of 2021	3 953 923	422 069	2 125 160	1 064 530	342 164
Quarter 3 of 2021	3 900 779	402 178	2 106 050	1 037 321	355 231

There is a wide range of commercial banks in Kyrgyzstan that offer credit services on special terms for entrepreneurs. However, despite the variety of financial services offered by banks, it is worth noting that the high interest rate at the early stages of business development and the mandatory availability of collateral are burdensome for start-up entrepreneurs. Especially for young people and women entrepreneurs, who do not have collateral to access the loan. As a consequence, as noted by respondents during the study, young entrepreneurs are forced to turn to their relatives and friends and collect the amount in installments for business development, or arrange a loan to a third party to satisfy bank requirements for collateral:

«I got a loan. The loan was not in my name, but in my parents' name. It was the initial stages of the business, I had no assets to pledge and also at the time my income was small».

A.A., drawing courses, Jalal-Abad province

Also, some respondents indicated that the basis for starting a business was their own funds accumulated while working abroad, as well as funds from relatives of migrants.

In addition to bank lending, entrepreneurs also have the opportunity to apply to

international funds and grant projects. But due to the fact that grants are given to support certain sectors of business, this type of financing is not available to everyone.

«I would like to, of course. But we won't get it, because grants are given to acquaintances. If an international organization, then it is still possible».

N.Z., women's clothing boutique, Batken province

«Wouldn't participate, often such events are fraud or network marketing».

N.A., sales of tableware, Batken province

High interest rates in credit financing slow down the process of business scaling.

«If you start with a small amount, in this case, for example, if you made doors and windows for 100 thousand soms, then 30-40 percent of this amount would go to a loan, in a village like that. He says that I will sell the cattle and then give it back. It takes a month or two to sell animals. This is where your circulating money slows down. If you have more money, you can run your business without fear».

K.Ch., manufacture of plastic windows, Jalal-Abad province

Thus, entrepreneurs in the Finance domain face the following difficulties:

- young people and women cannot get affordable credit and have no collateral because most of the collateral is owned by husbands or male relatives
- solving the problem of a shortage of working capital is superimposed on over-lending.

C. Culture

Entrepreneurial culture plays an important role in the development of the ecosystem: the social status of the entrepreneur in society, attitudes toward his/her failures and successes, and the desire to share experiences. And, if in the 1990s the attitude towards the first entrepreneurs was negative due to the suppression of any entrepreneurial initiatives in Soviet times, then at the moment there has been a significant shift in society towards a positive perception of entrepreneurship. However, the perception of the entrepreneur in the southern region is very different from the situation in the Kyrgyz capital and other regions. Due to its border location near Uzbekistan and Tajikistan, the south of the country has a high proportion of various ethnic and linguistic minorities, which in one way or another have an impact on the formation of culture among the residents. The southern region is characterized by greater religiosity, there is a patriarchal principle of economic management. Rural areas are more cohesive than urban ones (they actively participate in each other's lives, attend important events such as weddings/funerals, provide support in case of family loss, have their own informal management in the

form of aksakals, etc.). However, in a dense society, the likelihood of becoming the object of persecution and public censure in case of failure is much higher. Often women entrepreneurs face this problem:

«They didn't understand, ours didn't understand at first. Our village was not supportive, they said why all this. I worked in a wedding salon in Moscow, so I opened a wedding salon here too. I brought just 1-2 dresses, and then the girls from the village liked them. Others asked to bring more dresses, then gradually began to understand in the village, and then began to rent them. I learned both makeup and hairstyles, and I can do everything».

M.T., wedding salon

«My relatives reacted well, everyone believed that everything would work out for me. But there were people who said, "Why is she taking a loan with 2 children, it would be better to work. There were people who advised me to go to Russia to earn money instead of doing business».

A.O., beauty salon, Osh province

Entrepreneurship for representatives of the regions is primarily a source of income, making a profit in any way. The culture of doing business on the basis of bringing benefit to society, through the creation of new services and goods, the output of innovation and creative approach is not strongly developed among the representatives of business in the south. This suggests that there is a need to develop a culture of entrepreneurship, based on the implementation of values and ethical standards and rules of doing business. Also, careful attitude to employees, timely payment of wages and official registration at employment helps to stimulate the basis for the creation and stable growth of enterprises.

In the process of cultural development, media coverage of success stories among local residents plays an important role. During interviews, respondents noted that the media mainly cover the success stories of those who went abroad or to Bishkek and achieved success there. And successes of entrepreneurs in the local market are not covered:

«It would be helpful if the local media would announce local entrepreneurs and let them know that they can do cool creative projects here, too. We just have people who work for Google or Facebook. That you're far away from them, and that it's not real, or there in Bishkek ... All the regions look only at Bishkek and wait until something happens there, although it is possible to develop without looking at the capital..»

B.S., owner of a photo studio, Osh

In addition, some representatives of business associations noted the

reticence of entrepreneurs to communicate with each other. They are reluctant to share their knowledge and experience; most prefer to work alone and do not understand the benefits of doing business together. This is a consequence of distrust in other entrepreneurs, in existing institutions, and in the state, which has been snowballing over the years due to incessant inspections, corruption on the part of officials and local government, and the impact of various conflicts on ethnic grounds. As a consequence, there is disunity and lack of cohesion among entrepreneurs and society.

The low cohesion of entrepreneurs and society in the South tends to create fragility in the ecosystem, making entrepreneurs themselves vulnerable in the first place. Various social science studies show that cohesive societies are more likely to achieve high development outcomes: greater income equality and more developed social support and protection systems (UNDP, 2020). Dragolov, a German psychologist, identified the following main components of social cohesion:

1. Relationships between the individual and institutions (high trust in institutions and high sense of security and justice);
2. Social relationships (social connections, trust in others, and acceptance of other views, ethnic groups, and religions);
3. Focus on achieving common goals (respect for social norms, solidarity and mutual assistance, civic participation).

It is necessary to highlight in the media examples of successful entrepreneurial collaborations that can become role models for doing business among young people and women, as well as to include entrepreneurs in communities for synergy, to support existing communities and associations. Promote the value of social capital as a major source of innovation and synergy. There must be social cohesion to develop synergy, and synergy in turn allows for local problem solving, innovation, and a more favorable environment in the entrepreneurial ecosystem.

As a result, we can distinguish the following features of the cultural aspect of entrepreneurs:

- Low levels of synergy and social cohesion: prefer to work alone, do not share information, and do not see the value of communities;
- Low value of entrepreneurship and stereotypes about women;
- No trust in the existing institutions of power, business;
- No local success stories.

D. Human capital

The labor market is the key to running and developing a business. The shortage of qualified employees is also noted in the capital, but it is particularly pronounced in the regions, as there is a tendency to migrate both internally and externally upon reaching the age of majority. This leads to an acute shortage of

qualified workers, and difficulties in finding the right people to run a business. According to the NSC (2019), there are particularly acute shortages in industries such as:

- manufacturing industry (-12,1%);
- water supply, purification, waste treatment, and recovery of secondary raw materials (-4,5%);
- real estate transactions (-6,9%);
- public administration and defense, compulsory social security (-21,4%);
- arts, entertainment, and recreation (-26,8%);
- other service activities (-26,8%).

Issues of raising the level of education and qualifications are relevant not only for young people, but also for able-bodied citizens who are in search of work, which involves creating conditions on the part of state and non-state bodies to expand opportunities for people to improve personal competitiveness in the labor market. Thus, 42% of Kyrgyzstani citizens from 25 to 64 years old have higher education. High-tech production requires workers with higher education, but specialized education does not make Kyrgyz residents prosperous and highly productive. The main problem is the low quality of education. The current education system reproduces human resources of low productivity (NSC Labor Market Review, 2019).

Internal migration is characterized by the outflow of the most promising in terms of highly productive labor from most regions to more prosperous regions. Thus, 68% of the total migration growth occurred primarily in Bishkek and Chui oblast. While educated and highly skilled personnel continue to leave Kyrgyzstan (NSC Labor Market Review, 2019).

Among other things, the coronavirus pandemic has made adjustments to the labor market, both in terms of unemployment and the demand for new skills. According to the Ministry of Labor, there was a 33 percent decrease in the number of vacant jobs in Kyrgyzstan in 2020. 6,000 unemployed young people Out of 36, linked their current situation with “layoff, downsizing, liquidation of an enterprise” (Table 7).

Table 7: Unemployed youth with work experience, disaggregated by reason of unemployment and age, NSC data, %

of them left their previous place of work due to:	Total aged	including aged, years		
	15-28	15-17	18-24	25-28
layoff, downsizing, liquidation of the company	100	...	70,0	30,0
liquidation of their own business	100	100,0
voluntary dismissal	100	4,0	28,0	68,0

the end of the term of temporary, seasonal work, work under a contract	100	4,7	54,7	40,7
retirement	100	...	100,0	...
change of residence	100	...	50,0	50,0
for health reasons	100	...	100,0	...
for personal family reasons	100	...	42,4	57,6
for other reasons	100	...	65,9	34,1
Total	100	3,0	53,2	43,8

Among the surveyed provinces the highest level of unemployment is observed in Jalal-Abad province - 15.1%. In Osh province, on the contrary, 2.6% unemployment is the least pronounced, probably due to the fact that Osh is the economic center of the southern region (Table 8).

Table 8: Workforce and non-labor force among youth aged 15-28 by territory, NSC, thousand persons

Province	Workforce	including		Employment rate, %	Unemployment rate, %
		employed	unemployed		
Batken province	50,9	45,8	5,1	37,2	10,1
Jalal-Abad province	126,0	106,9	19,0	35,5	15,1
Osh province	214,0	208,4	5,6	62,5	2,6
Bishkek city	101,1	88,2	12,9	42,3	12,8
Osh city	29,7	28,2	1,4	39,0	4,9

There are more women than men among Kyrgyzstan's unemployed, and the number of returned migrants has also increased. The latter find it particularly difficult to find a job, as local salaries are much lower than those received abroad. During the FGDs, respondents from the group of unemployed returned migrants noted that if they had a stable job, they would stay in their home country. Also, there was a low level of distrust in the transparency of the hiring process; most respondents believe that having acquaintances in a particular company makes it easier to find a job and take primarily from among their acquaintances.

On the part of employers, representatives of the manufacturing sector

noted that they prefer to hire returned migrants because they are more responsible for their work:

«To be honest, migrants are more hardworking. Many non-migrants leave without warning, they don't even say that they are leaving. And migrants are more responsible for their work».

A. S., bakery, Batken province

The group for FGDs of young women (under 28) was quite difficult to assemble in the south, as girls either went abroad after graduating from school/university or got married and had families. Young women preferred to work in international organizations and projects because of the competitive salary and social package. Also, there were girls who started applying for remote positions in foreign companies, but noted that due to the lack of necessary skills they did not go beyond the initial stages of selection.

Employers also noted that sometimes they are afraid to hire young people, because they are often irresponsible, may not go to work without warning and are aimed at temporary work, with the aim of going abroad.

As a result, the high turnover of personnel is associated with a shortage of qualified specialists and the associated departure of labor to other countries. This leads to enticement of personnel, low return on financial/time investments in professional training of employees, superficial quality of services, and also negatively affects the competitiveness of enterprises.

In addition, firms are reluctant to formalize their employees because the rate of social security contributions is particularly high (25 percent). As a consequence, this also affects the lack of attractiveness of the local labor market for job seekers.

E. Support

According to research by the International Labor Organization, the concept of mentoring for aspiring SMEs and vulnerable target groups (such as women, youth, migrants) is one of the key elements in the process of developing an entrepreneurial culture and creating a favorable business environment (ILO, 2016).

At the moment, support for entrepreneurs in Kyrgyzstan is provided by several structures: business incubators, business support centers, unions and associations of entrepreneurs, and business development services. The term "business development services" (BDS) generally refers to services that "increase the productivity and competitiveness of an enterprise and improve its access to markets" (OECD, 2016). Services can be either private or public. Private BDS include: consulting, training, advisory services, marketing, technology development and business promotion (OECD, 2017). Thus, these BDS are essentially business-to-business (B2B) services aimed at addressing the economic, legislative, and regulatory challenges that businesses face. Evidence from OECD country studies suggests that businesses using such services are often more likely to succeed than

their competitors (OECD/EU, 2014; OECD, 2015). This is particularly characteristic of SMEs, given that SMEs often do not have their own department to carry out and maintain such processes as marketing, legal support in their staff on a permanent basis. However, despite the expressed need, the majority of SMEs are not ready to turn to outside companies for help. This is due to many factors:

1. The consulting market is just beginning to develop in general in Kyrgyzstan, especially in the southern regions;
2. There are no accurate statistics on the consulting companies, the directories give scarce information, and therefore there is no comprehensive information about the type of clients, their feedback on the services provided and the degree of satisfaction;
3. Most of the existing consulting companies are focused on providing services to large enterprises, because they appear to be more solvent.

An important role in supporting entrepreneurship is played by international and donor organizations. Thanks to their projects, trainings are held, entrepreneurship support centers are opened, and special attention is paid to development in the regions. One such initiative is the PEAK entrepreneurial development program, which launched a program to support entrepreneurship among young people, returned migrants and women in Osh in 2020. During the interview, the representative of this organization noted that it was the first training that was held remotely, and at first there were fears that there would be not many people willing to participate, but the fears were unfounded, they were able to select the right number of participants from the applications. Among the difficulties of organizing such trainings, he noted that there were difficulties in finding qualified experts/trainers able to conduct training in the Kyrgyz language. According to him, this greatly limits the choice of experts and has to resort to the help of an interpreter, which is not always convenient for trainees.

Government services (G2B) include such services as business registration, obtaining licenses, etc. These services are provided by a wide range of different government agencies and ministries, which causes dispersion and leads to additional transaction costs. Respondents during the interview noted that they had no problems with the registration of IE/patent, but focused more on the problems of obtaining licenses and permits. Thus, a representative of the agricultural sector noted that it was extremely difficult for him to negotiate with the governing bodies to obtain the necessary documents:

«In general, the village is mostly engaged in agriculture, and in agriculture the payback is fast. Acquiring land is the first problem, the second is the red book. To get a patent, we have to go to many places, and there you still will not finish your work, because you have to pass money under the table. Everywhere you go, everyone takes money, even if you go to a higher official, he also takes money. And if it doesn't work out there, you go somewhere else. Take the dryer, for example, we need to bring a transformer, you go and get permission from the REC barely, but the state won't help you. When you get access to electricity, you have to find other

specialists, talk to them, and then they can run electricity to you. These are the problems».

I.J., plum drying, Osh province

Problems in interaction with government services were also noted:

«When you open up, not only that the tax office comes and tells you how much to pay, sanitary and epidemiological station comes, if you give money - you're good, if you do not give money - there will be problems».

D.A., confectionery, Jalal-Abad province

During the interview, the respondents were asked to rate the level of satisfaction with interaction from business with various subjects according to a 5-point scale, where 1 is completely dissatisfied and 5 is completely satisfied. As can be seen from Table 5, the least positive experience of interaction among respondents was with the Mayor's Office and the City Kenesh, as well as with government bodies (regional administration). The respondents noted that it is especially difficult to conduct a dialogue with these authorities, due to the high level of corruption. High score was given to suppliers of goods and services with which their business interacts, medium - to financial institutions and government services. Respondents gave a low score to the level of interaction with donor organizations, arguing that despite the increased attention from their side, they do not believe in the transparency of grants and wished that trainings conducted by international organizations were more sensitive to local cultural specifics of doing business and included more practical training, with invited active businessmen.

Table 9. Level of satisfaction with the interaction of business with different subjects (average value)

Province	Government bodies (administration of province)	Suppliers of goods and services	Financial institutions	State services	Mayor's Office and City Kenesh	Donor organizations
Batken	1,7	3,7	2,1	2,2	1,7	1,7
Jalal-Abad	1,3	3,4	3,0	2,4	1,4	1,7
Osh	1,8	3,9	2,8	2,7	1,4	2,3
Total	1,6	3,7	2,6	2,4	1,5	1,9

The support of the surrounding community also plays a big role. During the interviews, most respondents noted that people around them treat them well as entrepreneurs. However, it is worth highlighting that stigmatization is observed among women, if a woman is engaged in "male" entrepreneurship (production of furniture, repair services, sale of construction materials, etc.), she often faces distrust and misunderstanding:

«In the beginning, everyone was not very nice, they didn't understand how a girl would do furniture. But my husband was very supportive. Now I myself, on the contrary, urge everyone to do entrepreneurship».

V.F., furniture salon, Batken province, Kadamzhai

To summarize, we can highlight the following features of the state of the supporting subjects of entrepreneurship:

- The need for effective and transparent public services in the regions is very high, the need for a single service center for entrepreneurs, where it will be possible to solve all organizational issues in one place is clearly expressed;
- Projects supported by international organizations, business incubators and acceleration programs play an important role. Entrepreneurs in the south have become more demanding to participate in training sessions, so preference should be given to programs with practical tools and short program duration.

F. Markets in development

The structure of the private sector in Kyrgyzstan is dominated by micro, small and medium-sized enterprises (MSMEs). A greater number of agricultural, retail and hospitality enterprises belong to this sector. Since Kyrgyzstan is a member of the World Trade Organization (WTO) and the Eurasian Economic Union (EAEU), the reduction of shuttle trade has become inevitable.

In January-June 2021, 12.0 thousand enterprises operated in the Kyrgyz Republic, of which 11.3 thousand were small enterprises and 0.7 thousand were medium enterprises. More than 10% of the number of operating small enterprises operate in Batken, Jalal-Abad and Osh provinces. Overall, private enterprises in the three provinces mentioned earlier employed 196,600 people, an increase of 6,000 compared to 2020.²

COVID-19 had a profound effect on the export of needed raw materials for many businesses. Interviewees noted that due to the pandemic, the increase in raw material prices was not long in coming.

«There are a lot of checks at the customs office and they take a long time, they bring them from China to Kazakhstan, and from there they come here. We are next to China, why is it impossible to bring directly from China. Prices for customs, a percentage is also spent on customs clearance of goods. ... In addition, poor-quality goods arrive in Kyrgyzstan, we use the leftovers. It would be nice to resolve all these issues on customs. We request the state to establish customs».

A.Sh., smartphone store owner, Batken

² National Statistical Committee of the Kyrgyz Republic, *Main indicators of small and medium-sized businesses by territory for 2020-2021*, <http://www.stat.kg/ru/statistics/maloe-i-srednee-predprinimatelstvo/>

Due to the crisis situation related to the pandemic, deputies of the Jogorku Kenesh of the Kyrgyz Republic initiated the act "Towards New Economic Freedom and Development," which outlines the following measures to be taken by the government to improve the economic environment and reduce pressure on small and medium businesses by the government:

- "a ban on increasing licenses (reduction of permits), simplification of business and complete freedom of individual entrepreneurship with payment of an annual patent;
- reduction in the number of taxes;
- reduction in the number of inspections, including tax inspections", etc.³

Some of the respondents expressed their concerns about the ongoing checks. These issues are resolved only through the "pocket", that is, employees of sanitary and epidemiological stations, tax services agree not to disturb the business, only after receiving a certain amount in the form of a bribe.

«They get in the way. They come with checks every day. Until you put money in their pocket. I would like them not to write out fines, but to advise on how best to do».

H N.Z., sale of women's clothing, Batken

«They often come with checks and in most cases ask for money in their pockets».

K.J., confectionery, Batken

According to the 2019-2020 sectoral review of light industry in Kyrgyzstan, compiled by the Russian-Kyrgyz Development Fund, light industry is one of the leading industries in Kyrgyzstan in terms of its volume, multiplier effect, as well as its importance in solving social problems.

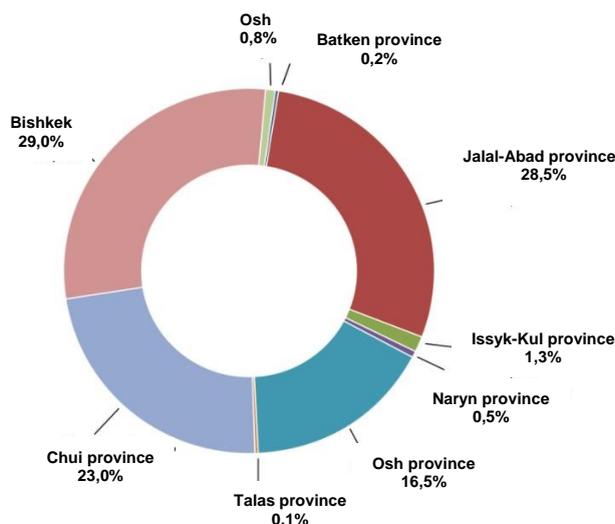
The light industry of Kyrgyzstan is represented by "textile production", "production of clothes and production of leather and leather goods" as well as "production of footwear". The volume of industrial production by these sub-industries in 2019 was, respectively, 1,491.9 million KGS (18 percent), 6,502.6 million KGS (79 percent), and 264.7 million KGS (3 percent). In fact, 80 percent of the light industry is clothing products.⁴

Textile production in the territory of Kyrgyzstan is distributed relatively evenly. Jalal-Abad province produces 28.5%, which proves the large employment of the population in the garment industry.

³ Resolutions of the Jogorku Kenesh, "Towards new economic freedom and development" dated 04/30/2020, <http://www.kenesh.kg/ru/article/show/6762/ot-30-aprelya-2020-goda-3705-vi-ob-obrashtenii-akt-deput-atov-zhogorku-kenesha-kirgizskoy-respubliki-k-novoy-ekonomicheskoy-svobode-i-razvitiyu>

⁴ Brief sectoral overview of the Russian-Kyrgyz Development Fund. *Light industry*. (2019, https://www.rkdf.org/ru/analitika/kratkie_otraslevye_obzory/legkaya_promyshlennost)

Figure 2. Regional production structure, Russian-Kyrgyz Development Fund⁵



For example, in Uzbekistan, by Presidential Decree No. UP-5285 dated 14.12.2017⁶ the "Uzbek Textile and Garment Association" was established.

All enterprises and organizations of the textile industry "Uztekstilprom" can be members of the Association. The Association is a voluntary association of organizations. Association members retain their independence and the rights of a legal entity. The Association has the following benefits from the state:

- Exempt from customs duties (except customs clearance fees) for imported cotton, artificial and synthetic fibers, wool, raw materials and other materials.
- Association "Uztekstilprom" is granted the right to sue in the interests of its members, appeal the decisions of state bodies and other organizations, actions (inaction) of their officials in court without payment of state duty.

At the moment, it is a constantly improving association of leading manufacturers of textile and clothing and knitwear products in Uzbekistan, contributing to the economic growth of the regions and the country as a whole, solving social issues, providing employment and creating new jobs. This example is proof that horizontal links stimulate the development of innovation and increase the motivation of entrepreneurs to innovate and improve their product.

⁵ Ibid, Chapter "Regional Production Structure"

⁶ Uztekstilprom, <https://uzts.uz/uztekstilprom/>

ANALYSIS OF SME DEMAND FOR THE SCOPE AND QUALITY OF SKILLS NEEDED

Entrepreneurship implies a constant improvement of skills, as well as the ability to adjust flexibly to any external changes. However, COVID-19 showed the vulnerability of enterprises in this regard: most enterprises were not able to quickly orient themselves in the conditions of the crisis, and were forced either to terminate their activities or reduce the volume of work, incurring huge financial losses. In this regard, during the interview, the respondents noted that at the moment they lacked most of all management skills in crisis situations. In addition, financial management skills are also in demand among business representatives, especially in rural areas. For example, the owner of a confectionery shop in Jalal-Abad province noted that she is experiencing bankruptcy for the fourth time:

«Now it is good, in recent days it has developed, and people understand and support this. My failure was well received, but not by me. This is the fourth time I have opened this confectionery shop in this village. For the fourth time I started working with shops, before that I decided to do only to order at home and went bankrupt. I started over and went bankrupt again. Now for almost the fourth time. It is good that the consciousness of people has risen. First, financial illiteracy, I think, was an obstacle for me, for example».

D.A., confectionery owner, Jalal-Abad province, Kerben

It is important to have "soft" skills in entrepreneurship: the ability to expand the network of business contacts, business communication, time management, and for women entrepreneurs - the ability to defend their positions and persistence:

«It seems to me that they (girls) should not be afraid to speak out, express their opinion. As for me, I had two partners (founders), they are both men, many things they did not discuss with me, over hookah solved some issues without me. Since we live in a patriarchal country, many men do not take into account the voice of a woman. Because of this, businesswomen need to be persistent, not afraid to speak up».

N.S., co-founder of the Youth Education Center, Osh

When asked if they have attended any trainings dedicated to the development of such skills, respondents said that they have not yet had to, because they have not heard about them, or have not passed the selection criteria for participation. Also, female entrepreneurs have noted that due to the large amount of household responsibilities they often cannot devote a lot of time to such trainings, at most they can devote up to 2 hours a day to training. These factors lead to the fact that there is a need to create short-term programs for entrepreneurship development, accessible to everyone, with minimum entry criteria, calculated separately for girls, youth and

migrants, taking into account the specifics of training for each group separately. In the opinion of entrepreneurs trainings should have the following attributes:

- Short, concise content with practical tips that entrepreneurs will be able to implement after the trainings;
- The timing of programs in rural areas should be no more than a month, due to the heavy domestic workload at home (for both men and women). Here it is also worth taking into account the seasonality of work, for example, in spring and autumn most families are busy working in the fields, in view of this it is advisable to plan programs in winter/summer time. In urban areas, on the other hand, entrepreneurs noted that they can allocate time for up to 2 months for different programs;
- Returned migrants are more demanding to the trainings and seminars held, as they have something to compare with - entrepreneurs noted that they regularly attend online trainings of Russian businessmen. There were also those who attended local seminars and noted that they were "tired" of such events, where "there is everything but the content";
- In general, when conducting certain trainings, it is recommended to regularly collect feedback from participants using a pre-designed questionnaire form. The questionnaire should be anonymous, with structured answers (to save participants' time) and a common field where they could leave their recommendations for future training programs. This will allow tracking possible organizational shortcomings, as well as increasing the satisfaction with the provided materials on the part of entrepreneurs.

MOTIVATING FACTORS THAT ENCOURAGE YOUNG PEOPLE, YOUNG WOMEN AND RETURNED MIGRANTS TO IMPROVE THEIR SKILLS

Focus group discussions were held in each province to determine the motivating factors for improving one's skills, and to explore in general the main problems and difficulties faced by the unemployed population in the south. Thus, the fieldwork with each group of respondents (youth, women, and returned migrants) showed different characteristics of job search and training. For example, while unemployed women noted that for them the team and a healthy favorable atmosphere were the most important things in their jobs, for returned migrants the key factor in finding a job was the size of the salary. Also, the respondents noted the attitude of supervisors towards employees within the company as important:

«The most important thing depends on the boss, if the boss will support his employees both morally and financially, then the employees will work with pleasure».

A.M., FGD participant, Batken province

Returned migrants show more interest in self-education, respondents during the FGDs noted that they have experience of taking online courses, mainly on business management and coaching, both from local authors (courses from Asel Sydykova, Samara Keneshova) and Russian authors. In general, the interest and motivation to start their own business is observed more among returned migrants, while local young people prefer to study modern specialties and such areas as SMM, graphic design, as well as the IT-sphere. Nevertheless, most of the young people are inclined to migrate, i.e. to a greater extent they are interested in employment with subsequent relocation. This suggests that returning migrants can have a positive impact on the local population, they have experience of working abroad, and a different perspective on ways to earn money. The only thing is that young people who want to start their own business showed a desire for more practical sessions with current entrepreneurs, where they would have the opportunity to interact with current entrepreneurs, learn from experience and gain practical knowledge and skills applicable to their business.

Youth associations are key drivers in the development of innovations, start-ups, and the promotion of a green economy. At the moment, some of the most active representatives are Youth of Osh, Cabar.asia Media School, Jalal-Abad Urban Community, Association of Progressive Youth.

Youth organizations know the needs of young people, support and promote their ideas with an innovative approach. Youth of Osh, in particular, helps young people learn new knowledge and life skills and implement their social and business ideas. By working with government, parliament, civil society, and the business community, they make a significant contribution to youth policy development.

«Volunteers, local authorities and our team built and renovated 25 infrastructure

facilities, parks, children's and sports grounds, libraries and bridges».

Youth of Osh webpage

ATTITUDE TO A GREEN ECONOMY IN BUSINESS

Over the past decade, most countries around the world have turned their attention to the pursuit of a green economy, favoring less energy-intensive ways for businesses to operate. Business principles such as conservation of the environment, with less interference in the natural ecosystem, rather than a predatory buildup of financial capital, have become a priority. UNEP defines a green economy as one that promotes human well-being and social justice while substantially reducing environmental risks and depletion (European Economic Council, 2011).

At the UN Conference on Sustainable Development, Kyrgyzstan expressed its commitment to sustainable development by promoting the priorities of the "green economy" in 2012. Later, Kyrgyzstan developed and approved by a resolution of the Jogorku Kenesh the Concept of a green economy "Kyrgyzstan - a country of a green economy" in 2018, which became the basis for the implementation of the principles of a green economy in the Kyrgyz Republic. According to this Concept, the main directions of the transition to a "green" economy are:

1. Green transportation in the green city
2. Green energy and energy conservation
3. Green agriculture
4. Green industry
5. Green recycling
6. Public policy, green public procurement, and payments for ecosystem services
7. Protecting biodiversity
8. Green thinking, green upbringing, green education
9. Green investment and sustainable finance to promote a green economy
10. Development of indicators for the green economy

The common areas are also support for entrepreneurs in the transition to green and energy-saving technologies, the government also plans to introduce fiscal tools - preferential customs tariffs on the importation of cars with electric motors and hybrid engines, payments and fines for pollution of air, water and soil, which do not adequately perform their main purpose - to discourage economic entities to pollute the environment (according to the Program of "green economy" development in the Kyrgyz Republic. Nevertheless, the survey of entrepreneurs in the south showed a low level of knowledge on conducting green business, for example, manufacturers of plastic windows and doors admitted that they throw waste into the pit. This suggests that there is an urgent need to improve environmental literacy of entrepreneurs, especially among the rural population. Also, during the interview, respondents were given cards asking them to rate the extent to which the following factors influence

their choice to switch to alternative (renewable) energy sources. According to a scale of 1 to 5, with 1 being the most insignificant barrier and 5 being the most significant. Based on the findings, installation cost and long payback period are the key barriers to switching to alternative energy sources (Table 10).

Table 10. Respondents' assessment of the choice to switch to alternative energy sources

	Installation price	Lack of information about technology	Difficulties in finding a reliable supplier	Long payback period
Batken province	4,3	4,0	4,1	4,3
Jalal-Abad province	4,3	3,9	4,1	4,5
Osh province	4,3	4,5	3,8	3,9
Total	4,3	4,1	4,0	4,3

It was also confirmed by the manufacturer of wood products:

«I would like to switch to solar panels, but after consultation I was convinced that it is not profitable, it takes too long to pay back. I'd rather pay for light, a small amount».

S.A., manufacture of wood products, Osh province

However, there are positive examples of green business, where entrepreneurs try to reduce the amount of waste at the household level and recycle plastic waste:

«We cut the remnants of the fabric and make pillows. We try not to harm».

I.K., dowry making, Jalal-Abad province

«We collect waste paper so that we don't just throw it away, but take it to recycling. We also collect cans for recycling. In the future we would like to install solar panels, we heard that they give credits or grants to eco projects».

N.S., co-founder of the Youth Education Center, Osh city

In general, the greatest interest in ecology was shown by respondents from the youth, as well as female entrepreneurs. Men and returned migrants responded that they would like to apply such technologies in the future, but do not know how, and are afraid of the high risks of payback. This suggests that there is a need to conduct regular training sessions for entrepreneurs, highlighting ways to reduce

emissions and waste so far at the household level, the benefits of commitment to green business principles and in general, to cultivate and publicize more businesses that use green technologies in their farms.

FINDINGS AND RECOMMENDATIONS

Based on the results of our analysis of the entrepreneurial ecosystem in Osh, Jalal-Abad and Batken provinces, we offer the following 4 recommendations, which are key in removing barriers to SME development in the state, horizontal links, innovation and success stories:

State. Digitalize all processes of interaction between the state and entrepreneurs to reduce corruption and barriers;

Horizontal links. Create horizontal links for rapid development of innovations through the development of platforms, associations, forums and communities;

Innovation. Improve product margins through innovation;

Success stories. Introduce values and ethical standards: 1) respect for employees 2) timely payment and formal employment. Encourage and highlight successful entrepreneurs.

Policy

1. Transformation from an individual enterprise to a legal entity is painful, with a higher level of costs associated with increased regulatory barriers, large official and unofficial payments and insufficient access to financial resources.

Recommendation: Simplify the process of registering a legal entity by eliminating the human factor - digitalization of processes.

2. Difficulties in obtaining a business license.

Recommendation: Reduce the number and automate the process of issuing licenses by the state, introduce a moratorium on the introduction of new licenses.

3. Having acquaintances in government agencies is one of the key advantages when starting a business.

Recommendation: Eliminate contact of entrepreneurs with representatives of state bodies through automation to minimize corruption risks.

Finance

4. The high interest rate at the early stages of business development and the mandatory availability of collateral are burdensome for start-up entrepreneurs.

Recommendation: Continue to finance SMEs through grant programs, but with increased use of the business approach for greater sustainability (examples Accelerate Prosperity, John Galt).

5. Entrepreneurs solve the problem of shortage of working capital by refinancing.

Recommendation: Develop financial literacy programs.

Culture

6. Due to the lack of trust in the existing institutions of government and business, there is a low level of synergy and social cohesion: entrepreneurs prefer to work alone, do not share information and do not see the value of communities.

Recommendation: Support developing communities of entrepreneurs (associations, platforms, forums, etc.), develop horizontal links.

7. Weakly developed culture of doing business based on bringing benefits to society, through the creation of new services and goods, innovation, and creativity.

Recommendation: Promote success stories in the media, expand the horizons of knowledge about the opportunities of high-margin businesses and professions.

8. No local media success stories.

Recommendation: Increase the presence and media coverage of success stories built by local entrepreneurs.

Human capital

9. The modern education system reproduces human resources of low productivity.

Recommendation: Promote alternative skill development opportunities through short-term education with further employment, for migrants, women, and youth.

10. Low level of trust in the transparency of the recruitment process, the majority of respondents believe that having friends in a particular company makes it easier to find a job and they hire primarily from their acquaintances.

Recommendation: Promote in the media success stories of businesses built on mutually beneficial cooperation with personnel and transparent selection procedures.

11. Women and girls who started applying for remote positions in foreign companies noted that due to the lack of necessary skills they did not go beyond the initial stages of the selection process.

Recommendation: Strengthen horizontal links among women entrepreneurs to facilitate the dissemination of successful practices.

Support

12. Most of the existing consulting companies are focused on providing services to large enterprises, because they appear to be more solvent.

Recommendation: Support the development of Entrepreneur Service Centers and Business Support Centers (BSCs), and the dissemination of knowledge through horizontal links.

Market

13. Higher prices for raw materials lead to an increase in the final cost of products and services, which adversely affects purchasing power in the regions.

Recommendation: Innovate to move to more marginal non-resource businesses and/or to improve margins in current businesses.

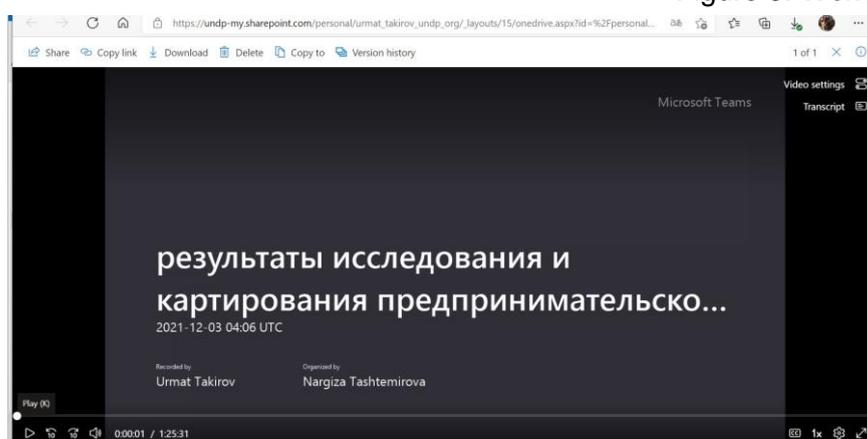
14. Post-covid conditions for the import and export of any product entails large financial and resource costs.

Recommendation: Digitalize state customs structures to improve the quality and reduce the time needed to provide services.

VALIDATION WORKSHOP

Validation workshop was held on 3 December 2021 in online format in the form of presentation of quick assessment of entrepreneurial ecosystem in Osh, Jalalabad and Batken provinces, including mapping by D. Isenberg's domains. The workshop was attended by the team of John Galt business accelerator - Daniel Abdylidaev, Aisalkyn Talasbekova and Suusar Abysheva, UNDP representatives - Nargiza Tashtemirova, Urmat Takirov, Akyn Bakirov, Sharabiddin Tairov, as well as Aisuluu Mambetkazieva – coordinator of Aid for Trade project.

Figure 3. *Workshop theme*



Structure of the presentation of the study results:

1. Annotation
2. Context of the quick assessment
3. Methodology of the quick assessment
4. Results of the quick assessment according to D. Isenberg
 - a. Policy
 - b. Finance
 - c. Culture
 - d. Human capital
 - e. Market
 - f. Support
5. Women's entrepreneurship
6. Green economy
7. Ecosystem mapping
8. Findings and recommendations
9. Session for discussion, questions and answers

Figure 4. Slide 2, Content

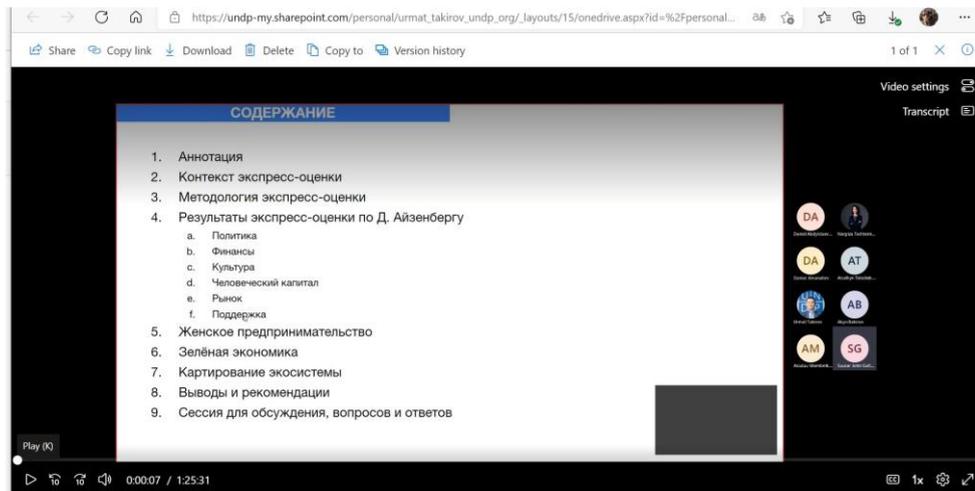


Figure 5. Slide 17, Supporting organizations

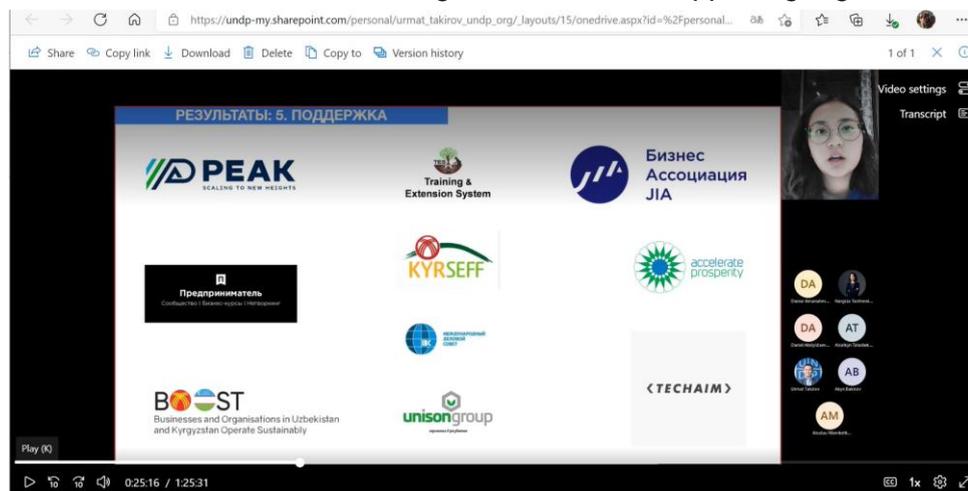


Figure 6. Slide 30, Findings and recommendations

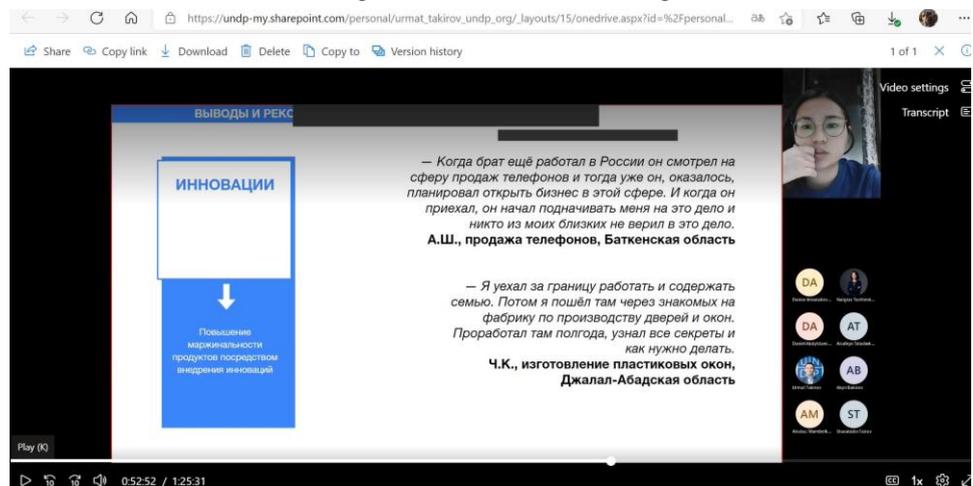
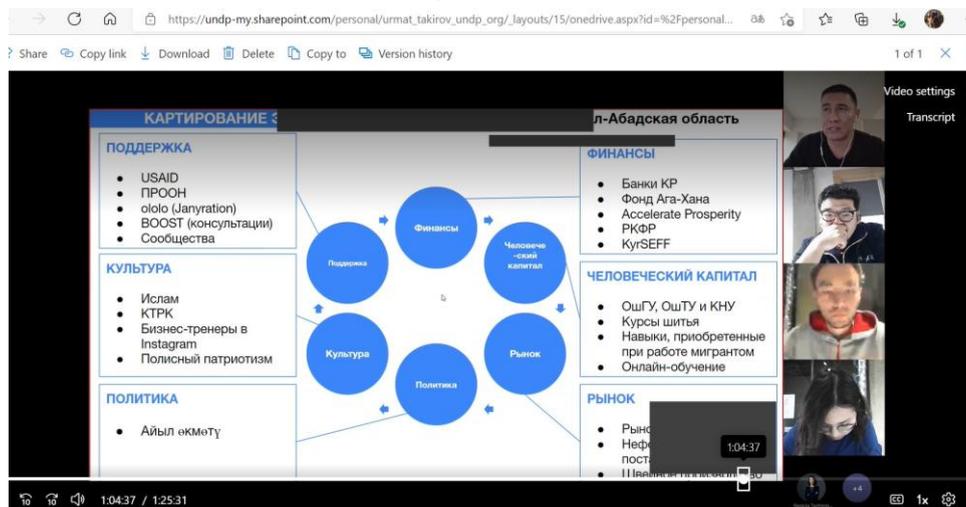


Figure 7. Slide 24, Ecosystem mapping of Jalal-Abad province



During the presentation, comments were received from UNDP representatives, some of them regarding the culture of youth and women's communities, which play an important role in improving social cohesion in the regions. Subsequently, all comments were taken into account in the report.

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