



Investment climate as a factor in attracting foreign investment

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ABSTRACT: To attract investment, it is necessary to create favorable conditions for investors, especially foreign ones. Investments play an important role in the development of the economy of the Kyrgyz Republic. This article contains a study of the dynamics of foreign investment inflows into the Kyrgyz Republic, an analysis of foreign investment inflows by economic sectors and regions of the Kyrgyz Republic. The key factors in creating a favorable investment climate for foreign investors should be the efforts of stakeholders to attract foreign investment by creating an open and stable business environment.

KEY WORDS: foreign investment, economic sectors, investment climate, state investment policy

I. INTRODUCTION

Investments play a significant role in the development of the economy of the Kyrgyz Republic, and investment legislation in the country is characterized by a high degree of liberality. Like many other states in the post-Soviet space, Kyrgyzstan faces challenges in attracting investment. However, with the right approach and effective implementation of measures, it is possible to create an investment climate that promotes sustainable economic development [2].

Investors benefit from investing in the developing economy of the Kyrgyz Republic, since the republic has significant potential in both human capital and natural resources. Government support, business initiatives and widespread public activity can help create a favorable investment environment. Increased foreign investment not only promotes economic growth, but also creates conditions for the creation of new jobs, improves social conditions and stimulates the development of key industries. This approach reflects the

importance of joint efforts by the state, the business community and the population for the successful implementation of strategies to attract investment and ensure sustainable development of the Kyrgyz Republic [3].

II. METHODS

The study of problems associated with attracting investments required an analysis of statistical information. The use of quantitative methods of analysis based on statistical information of the National Statistical Committee of the Kyrgyz Republic on indicators of foreign investment made it possible to identify trends in their development, clarify the structure and volumes. To process digital information, various statistical research methods were used, including constructing time series, grouping data, determining the specific weight of indicators, as well as the use of graphical methods for visualizing time series and analyzing dynamics.

III. RESULTS

In recent years, Kyrgyzstan has demonstrated steady growth in attracting foreign investment, indicating the country's attractiveness to international investors. The dynamics of foreign investment inflows between 2018 and 2022 provides an overview of changes in the economic structure and financial climate of the Kyrgyz Republic.

In 2018, the inflow of foreign investment amounted to an impressive 6,939,125.6 thousand US dollars [1] (Figure 1). This period was characterized by active government efforts to attract foreign investors, including through the adoption of investment-attractive laws and the creation of a favorable business environment.

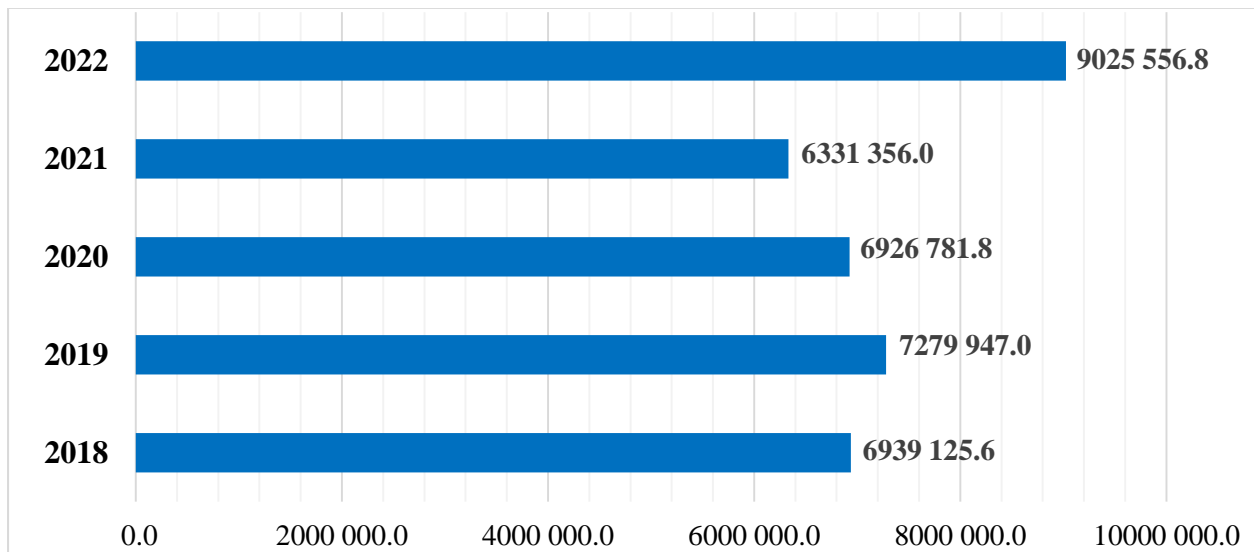


Figure 1. Dynamics of foreign investment inflows into the Kyrgyz Republic, thousand US dollars
Source: according to the National Statistics Committee of the Kyrgyz Republic [1]

In 2019, continuing the positive trend, the inflow of foreign investment increased to 7,279,947.0 thousand US dollars [1], which can be considered the result of the successful implementation of the strategy to attract investment and strengthen the country's business reputation.

In 2020, despite some global economic difficulties, the flow of foreign investment remained high, amounting to 6,926,781.8 thousand US dollars [1]. This factor indicates the stability of the economy of Kyrgyzstan and its attractiveness for investors even in the face of global challenges.

In 2021, it is possible that the impact of the pandemic and some geopolitical events affected the reduction in investment receipts to 6,331,356.0 thousand US dollars [1]. However, the country continued active efforts to create a favorable investment climate.

In 2022, Kyrgyzstan significantly increased the influx of foreign investment, reaching an impressive level of 9,025,556.8 thousand US dollars [1]. This return to high rates of investment attraction may be due to the successful implementation of strategies to stimulate key sectors of the economy.

The general trend indicates a gradual strengthening of Kyrgyzstan's position as an

attractive destination for foreign investment. Political stability, a favorable business environment and strategic investment initiatives support diversified economic growth. However, it is important to continue to develop and implement effective strategies to attract investment to ensure the sustainability and long-term development of the country.

The distribution of foreign investment in 2022 across various types of economic activity is an important indicator of the structure of the country's economic development and priority areas for foreign investors. Investments in agriculture, forestry and fishing amounted to 14,744.8 thousand US dollars [1]. This demonstrates the desire to attract capital to agriculture, making it more efficient, modern and sustainable.

Mining is one of the key investments, with investments in the amount of 747,469.8 thousand US dollars. Investors see the country's potential in the extraction and processing of natural resources. With investments in the amount of 3,373,226.5 thousand US dollars [1], the manufacturing industry received significant support. This includes the production of high value-added goods and materials (Figure 2).

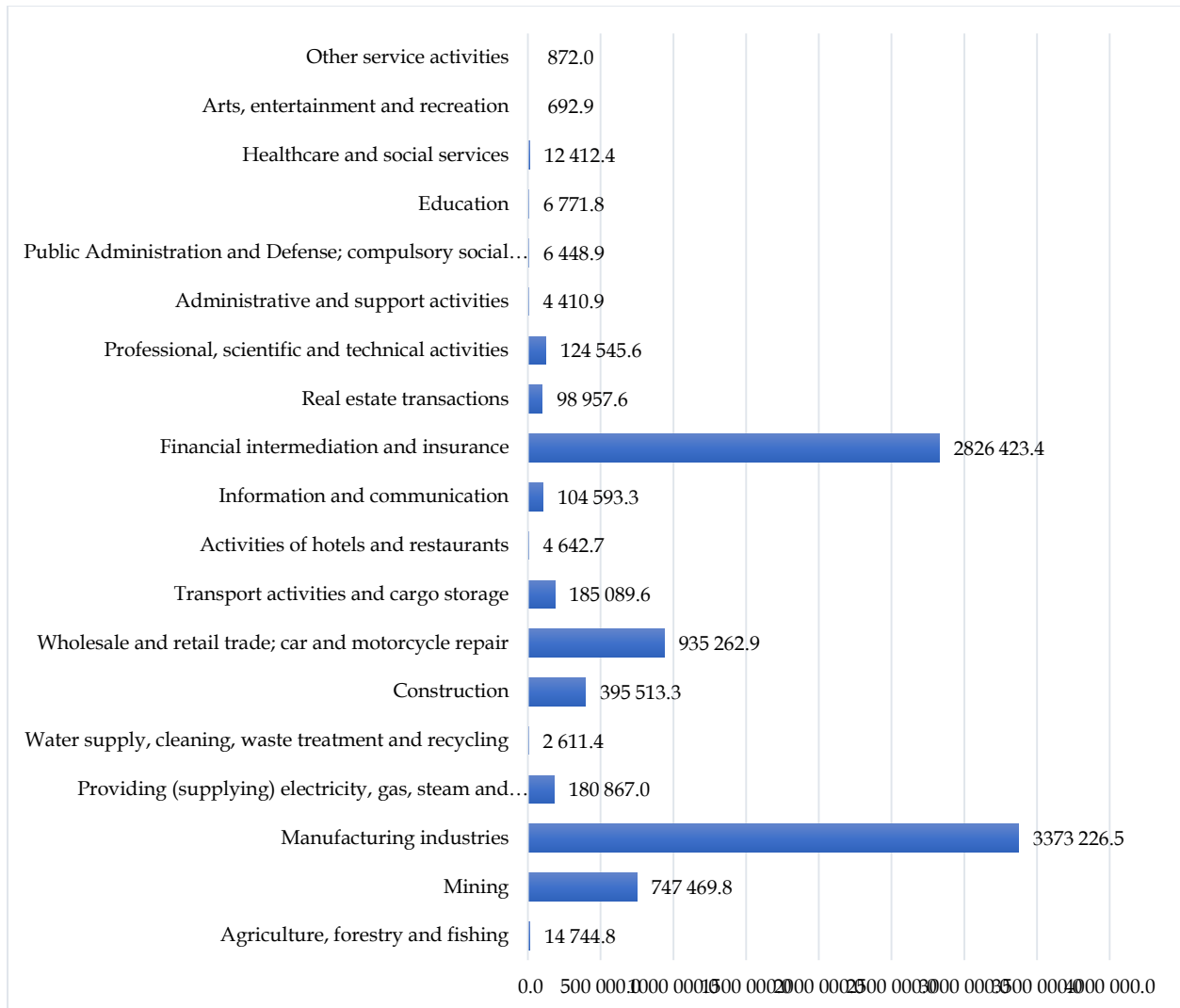


Figure 2. Receipts of foreign investment in the Kyrgyz Republic by economic sector in 2022, thousand US dollars

Source: according to the National Statistics Committee of the Kyrgyz Republic [1]

The energy sector attracted the attention of investors, and the provision of electricity, gas, steam and air conditioning received investments of US\$180,867.0 thousand. Wholesale and retail trade, as well as construction, received significant investments - 935,262.9 thousand US dollars and 395,513.3 thousand US dollars [1], respectively, which emphasizes their key role in the country's economy.

Financial intermediation and insurance attracted significant investments in the amount of 2,826,423.4 thousand US dollars, which indicates high interest in the stable and promising financial market of Kyrgyzstan. Investments in public administration, health care, education and social services also made up a significant portion of the

total. This reflects the desire to create favorable conditions for the development of human capital and social well-being.

Investment activity in various sectors indicates the attractiveness of certain sectors of the economy and readiness for sustainable and balanced development. The government and business community are committed to maximizing the country's potential by ensuring growth and prosperity in various areas. This approach contributes not only to economic development, but also to the creation of favorable conditions for improving the standard of living of the population and ensuring sustainable social development [5].

In 2022, Kyrgyzstan continued to attract noticeable volumes of foreign investment; their



structure in different regions of the country is diverse and characterizes the economic development of the territories. It should be noted that this framework provides a unique perspective on investment activity trends in different parts of the country. Batken region received significant investments in the amount of 43,762.6 thousand US dollars. This is due to the implementation of infrastructure and agricultural development projects.

Jalal-Abad region is a leader in attracting foreign investment, with funds received in the amount of 805,581.6 thousand US dollars [1]. This is due to various promising projects in the fields of mining, agriculture and tourism.

A significant amount of investment in the Issyk-Kul region - 2,493,163.4 thousand US dollars - indicates the strategic importance of this region, which is explained by the developed tourism infrastructure and the development of coastal zones for tourism business.

Even with small revenues in the amount of 133.6 thousand US dollars, the Naryn region [1] is promising for future investment and business development (Figure 3).

Osh region received impressive investments in the amount of 67,867.7 thousand US dollars, which is explained by the development of the manufacturing and agricultural sectors.

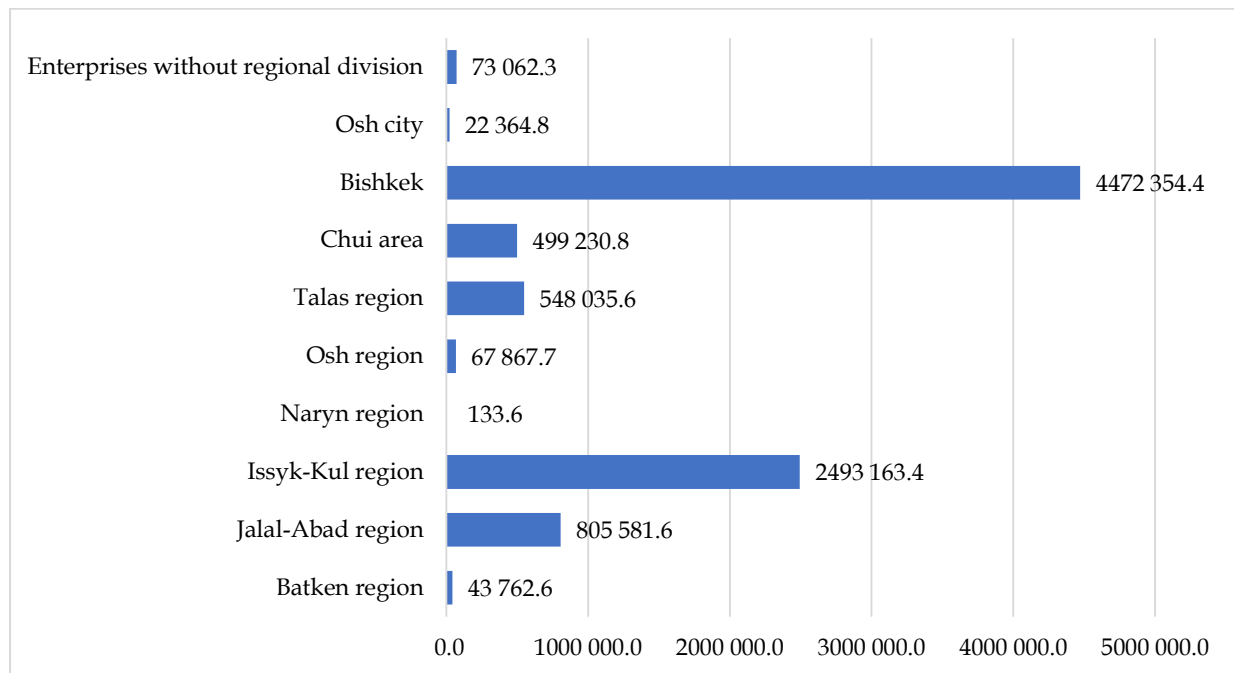


Figure 3. Receipts of foreign investment by region of the Kyrgyz Republic in 2022, thousand US dollars

Source: according to the National Statistics Committee of the Kyrgyz Republic [1]

The Talas region has also become a center for attracting investments, attracting 548,035.6 thousand US dollars, which is associated with the development of agriculture and product processing. Chui region: With investments in the amount of 499,230.8 thousand US dollars, the Chui region continues to be a key regional center of economic activity.

Bishkek and Osh, as the two largest cities in the country, also attract significant investments - 4,472,354.4 thousand US dollars and 22,364.8 thousand US dollars, respectively[1]. This indicates

that there are promising investment opportunities in urban infrastructure, commerce and services.

Enterprises without regional division received investments in the amount of 73,062.3 thousand US dollars, which include projects not tied to a specific region.

State investment policy has a significant impact on the attractiveness of a country for investors. This task requires an integrated and systematic approach, active interaction between the state, the business community and international partners to ensure sustainable and long-term economic development [4].



IV. CONCLUSION

The further formation of the investment climate in the republic includes a wide range of issues and problems. The main difficulty of economic transformations in the republic lies in the limited possibilities for increasing the growth of domestic resources and the inability of existing banking and business capital to fully compensate for the lack of investment resources to ensure stable economic growth. In the context of a shortage of its own funds to carry out operational and large-scale reforms, the republic is in dire need of attracting external capital and advanced technologies.

State investment policy should be focused on creating favorable conditions for investors, including improving the business climate, reducing bureaucratic barriers, providing infrastructure and

tax benefits, as well as developing effective mechanisms to support and stimulate investment. The business community, in turn, must actively interact with government agencies, developing constructive proposals, expressing their needs and taking part in the formation of policies aimed at developing entrepreneurship. International partners also play a key role by providing investment resources, experience and expertise. Effective interaction with the international community can help attract additional investment, technological exchange and strengthen the country's reputation on the world stage.

This approach, based on interaction and partnership, is an essential condition for the successful implementation of investment strategies and ensuring sustainable economic development.

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