National Statistical Committee of the Kyrgyz Republic

FINAL REPORT

“Assessing the state of business statistics and improving its coverage in the Kyrgyz Republic” within the framework of the Project implemented in cooperation by the Economic and Social Commission for Asia and Pacific (ESCAP) and National Statistical Committee of the Kyrgyz Republic

Bishkek
August 2017
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1. Introduction and background to the national study

Kyrgyz Republic had experienced the important stage of economic reforms. Different alternatives of further strategic development are actively being formed. The state represented by the Government of the Kyrgyz Republic develops mid and long-term programs to overcome serious challenges. Implementation of these challenges takes the important part in the development of the small business. The small business is able to have a substantial impact on the most of the economic and social processes, structure of the national economy as well as the reproduction process as a whole.

National Strategy of the Sustainable Development of the Kyrgyz Republic for the period of 2013-2017: -

«Kyrgyzstan should reach the sustainable economic progress and have an effectively functioning social market economy. The main part in the development of the country should be given to the private sector, and mission of the State is to create supportive environment for the private sector activity as the first priority.

As of today, the business in Kyrgyzstan is in active phase and most of the people set up business throughout the country in favorable for them business legal structure. The most popular and favorable forms of ownership are individual entrepreneurship, limited liability partnership and enterprises limited by shares. The intensive development of small business should contribute to the development of the national economy.

The individual entrepreneurship is an essential part of the modern market management system, where the economy and society without market management system can not normally exist and develop. The individual entrepreneurship represent the most of the numerous groups of small business owners and to the best of their large-scale involvement they take the important part not only in the socio-economic development, but in the political life of the country as well. By their economic status and living circumstances, the individual entrepreneurs form the base of the middle class, which is regarded as guarantor of the social and political stability of the society.

National statistical information system of the Kyrgyz Republic as one of the key information system of the country meets up-to-date requirements of market economy, feeds the government authorities and the public with the required information on social, economic, demographic and ecological situation in the country, which is based on new methods of statistical monitoring, processing and dissemination of statistic data in accordance with the international rules and standards.

In accordance with the global evaluation of the national information statistical system of the country which was implemented by the international experts in 2012, the Kyrgyz Republic completed the transfer of the national statistical service to international methodological standards, where the key sectors of official statistics have been fully harmonized with the international UN standards, and some of them with the version adopted by the European Union.

At present, the NSC of the Kyrgyz Republic is using the methods recommended by the international organizations.
The statistical data show, that the individual entrepreneurship is becoming as a notable phenomena in Kyrgyz economy. Today there are about 14 thousand small and medium enterprises with a number of 88 thousand permanently employed people and about 380 thousand entrepreneurs engaged in individual labor activity. The share of the non-observed economy in GDP may be reduced due to the better coverage of business activities. The statistical register of individual entrepreneurs could be updated due to the survey of enterprises, which will help to improve the quality, coverage and accuracy of data of the statistical register.

1.1. Context and premise for the national study

The number of small enterprises and individual entrepreneurs is step by step being increased in the economy of Kyrgyzstan, and to extend the coverage of business statistics and taking into account the respondents, it is necessary to establish the effective system of data collection based on the sampling survey. Taking into consideration, that the significant proportion of non-observed economy is accounted for this sector, the NSC should follow different survey activities to evaluate the quality of small enterprises activity, and also to work on improvement of survey methods.

In the Kyrgyz Republic, the individual entities can have a business activity if they are registered in relevant territorial statistic agency or buy special patent from the tax agencies. The patent confirms the payment of the concerned tax by individual entities. The person having an individual patented business is allowed to submit the simplified information on incomes to tax agencies, and he is not obliged to submit the statistical accounting. The patents are given by the tax agencies for each type of business activity, and therefore a person having several types of business activity should buy a patent for each type of business.

Information on a number of patents for individual activity is directed by tax agencies to state statistics agencies on quarterly basis.

In accordance with the Law of Kyrgyz Republic «On State Statistics», the NSC has a right to have and use the administrative data to update the statistical register and process the statistical information. To improve the quality of administrative and statistical registers, the NSC made a bilateral agreements with below following ministries and agencies:

a) State Tax Service of the Kyrgyz Republic – to have an information on a number of issued patents, annual tax declaration of legal entities as well as the cooperation to maintain and update the Unified State Register of Statistical Units (USRSU);
b) State Custom Agency of the Kyrgyz Republic - to improve the uniform data base of foreign trade statistics, to secure the quality and accuracy of data on cargo custom declarations;
c) Ministry of Finance of the Kyrgyz Republic - sharing an information on administering of central and local budgets, the size and the structure of the state depth, as well as the administering of development budget;
d) National Bank of the Kyrgyz Republic - to share the economic and statistical information;
e) State Agency on Architecture and Construction of the Kyrgyz Republic - for estimates to identify price indexes for capital outlays and quantities of contracted works;

The most important task for using the administrative data for statistic purpose is a development of interaction procedures of the NSC with the state agencies in the course of the
development and implementation of the administrative-information system with the mandatory usage of the uniform classifiers, nomenclatures, identifications and classification of units.

Improvement and Development Program of the State Statistics of the Kyrgyz Republic for the period of 2015-2019 (hereinafter – Program) is the key program document, identifying the major strategic directions for the development of the statistical practice and methodology in the Kyrgyz Republic for the upcoming five-year period. The Program is the next turn phase (the 6th Program) in the development of the national information-statistical system of the Kyrgyz Republic.

One of the major objectives of the Program for the period of 2015-2019 is to develop the method statement for sampling survey of informal activity of the small business entities in the sector of the industrial production, which will help to have comprehensive data on a number of active entities in this sector and its economic indicators.

To improve the quality and coverage of economic statistics within the five-year period, it is planned to develop the concept of survey by sectors with the diagram of rotation of active entities on all types of economic activity.

It is important to take measures on methodological provision and extension of practice of regular sampling survey in different sectors of economy, particularly in relation to the individual entrepreneurs, which are not covered by the state statistical accounting.

The study of problems of small business including small enterprises, individual entrepreneurs without the status of a legal entity is a very important but not yet actively solved issue of the country.

A system of statistical recording of small business entities is necessary for assessing the status of this sector as well as the effectiveness of measures to support small businesses in the country. Only knowledge of the real situation in the small business sector and the true economic behavior of entities will allow to work out a realistic policy.

In the Kyrgyz Republic, the function of accounting and study of the small business sector is officially entrusted to the state statistics bodies. The National Statistical Committee (NSC) and its territorial bodies has made up the unified system of state statistics bodies. In each of the regions there are statistical offices and in districts there are state statistical units.

The databases are maintained by the territorial statistical bodies that include the primary information obtained on the basis of statistical reporting forms taken from each of enterprises surveyed.

The task of state statistics during the statistical observation is to identify the number of registered and actually operating small business entities: small enterprises, peasant farms, individual entrepreneurs operating without status of a legal entity. Statistics should enable indicators of the activity of individual entrepreneurs by regions and by type of economic activity.

The result of the survey is the clarification of the current situation and the identification of trends in the behavior of the subject of survey. Completeness and reliability of information is determined by the system of statistical accounting adopted by statistical bodies as well as by the methodology of accounting and the selected system of statistical indicators.

The study of the small business, including small enterprises, individual entrepreneurs without legal entity status is regarded as a top priority objective, but so far not enough actively feasible problem of the state.
Such system of statistical accounting of small business entities is reasonably required to evaluate the state of this economy sector, and also to evaluate the effectiveness of measures to support the small business in the country. Only the knowledge of this case in small business sector and a real economic attitude of the entities will help to develop the realistic policy.

In the Kyrgyz Republic the functions of accounting and survey of small business sector officially are given to the state statistics agencies. The uniform system of state statistics agencies is presented by the NSC and its territorial agencies. Each of the Oblasts has statistical agencies/offices, and the counties have state statistics units.

Data base is maintained by the territorial statistic agencies, which keep raw data obtained due to the statistic reporting forms received from each of the surveyed enterprise.

The objective of the state statistics in the course of statistical observation is the identification of a number of registered and actually active entities of small business: -small business enterprises, peasant households, individual entrepreneurs, active entities without legal status. Statistics should ensure the formation of the individual activity indicators, having a business without legal entity status by regions, and types of economic activity.

The result of survey is clarification of the current situation and the trend spotting of the survey active entity. Completeness and correctness of information are defined by the functioning in the country system of statistical accounting approved by the statistical authorities and also by the methodology of accounting as well as the selected statistical indicators system.

At present, there are some difficulties in accounting of the released industrial products, produced by the individual entrepreneurs (physical entities).

To improve the quality of statistical estimates on the quantities of the industrial products, produced by the individual entrepreneurs it is necessary to conduct survey to have data on a number of active entities, their types of economic activity, other economic indicators and its productive activity. These data will be used for updating of the universe estimates in the register of the statistical units by regions, with an accurate bank identifications, types of activity and also initial data for the estimates of quantities of the produced industrial products in monetary and volume terms, data on a number of employed people and a season when the products are produced (seasonality of production accounting). It will substantially improve the data base for further accounting of the quantities of industrial products, index of actual volume of production and additional data reporting for accounting of the GDP.

The necessity of the statistical study of industrial activity of the individual entrepreneurs is conditioned by the need to have complete, trustworthy and objective information on the quantities of industrial products. The obtained information should be used in practical work by regional and state statistical agencies.

In 2002, the NSC of KR developed the methodology in accordance with the statistical activity program and approved by the decree of the Government of the Kyrgyz Republic 25.09.2001 # №583 «On statistical activity Program for 2002» to account the products produced by the individual entities not registered at statistic agencies. The purpose of the methodology is to have complete, objective and trustworthy statistical information characterizing the industrial activity of individual entrepreneurs and the quantities of the produced industrial products in monetary and in kind terms. Its objectives are to manage the statistical observation over the activities of individual entrepreneurs and estimation of their activity indicators.
Industry statistics is a component part of the business statistics. The management of the industry statistics is carried out in accordance with the methodological requirements approved by the NSC as well as the main international recommendations (UN Guidance for industrial production index, international recommendations of UN Statistical Commission on Industry Statistics 2008, System of National Accounts (SNA) 1993). The major base industrial classification of economic activity is NACE, rev. 2, and also the State statistical products classification (goods, services)-statistical Classification of Products by Activity in European Economic Community CPA EC and the list of products for European Production Statistics (PRODKOM).

The objective of the statistical observation is the volume of works in monetary and in kind terms performed by the independent entrepreneurs producing the industry products.

The unit of the statistical monitoring in industry statistics is every physical entity producing the industry products.

Geographical coverage: human settlements, town, county centers.

The method of statistical observation is a total survey of the individual entrepreneurs having patents of the State Tax Service of the Kyrgyz Republic.

The source of information on the activity of the individual entrepreneurs are the data of the State tax service of KR on issued patents to physical entities for business activity throughout the regions of the country, and based on the collected data, the territorial state statistics agencies make calculations of the industrial production outputs of individual entrepreneurs, and then the summarized data are to be submitted to the NSC of the Kyrgyz Republic on 25th of every month.

1.2. Activities conducted under the national study project

The assessment of the business statistics situation and improvement of the coverage of individual entrepreneurs in the Kyrgyz Republic was made by the National Statistical Committee of the Kyrgyz Republic with the financial support of UNESCAP Statistical Division within the framework of the second phase of the project “ Strengthening of the national statistical systems potential in prioritized countries to generate and disseminate the economic statistics including the national accounts in accordance with SNA 2008”. This work was implemented in accordance with the Letter of Agreement, signed by UNESCAP and NSC of KR. The purpose of the partnership is an improvement of accessibility and the quality of the business statistics in Kyrgyz Republic within the framework of the regional program to improve the economic statistics in Asia and Pacific region by evaluation of business statistics state and collection of data on individual entrepreneurs.

To gain the assigned objectives, the NSC made a decision to survey the USRSU on industry throughout the country, and the industry statistics is to implement data collection on monthly basis. The statistics of enterprises on industry is based on the universal enumeration of legal entities. The monthly reporting includes big and med enterprises, and the quarterly reporting are submitted by small enterprises, as well as the data on issued patents to physical entities from the tax agencies.
Table 1. The volume of industrial products (mln. soms)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry - total</td>
<td>181 026,7</td>
<td>208243,0</td>
</tr>
<tr>
<td>Legal entities</td>
<td>168 426,3</td>
<td>195658,0</td>
</tr>
<tr>
<td>Individual entrepreneurs</td>
<td>12 600,4</td>
<td>12585,0</td>
</tr>
</tbody>
</table>

Figure 1. The number of registered individual entrepreneurs in the industry of the Kyrgyz Republic (as of 1st January 2016, units)

To achieve the assigned project goals, agreed with ESCAP, the NSC launched the survey of the South regions of the country (Jalal-Abad, Osh, Batken Oblasts and Osh city) as pilot activities, because of its great geographical extend, bigger than the north part of the country. According to the Unified State Register of Statistical Units (USRSU), the south regions have more registered individual entrepreneurs in industry.

The last sampling survey of the individual entrepreneurs was made in 2010 and since that time no updating the USRSU had been done.

Prior to the survey (field works) as of the current time, there was observed the state of the business statistics in the Kyrgyz Republic. This observation was carried out in association with the specialists of the Register unit of the Main Computer Center of the NSC to identify the number officially registered in USRSU individual entrepreneurs producing the industry products, and also monitor the activeness of these entrepreneurs. In total, there were identified about 22000 entrepreneurs.
To check the accuracy of data on entrepreneurs in USRSU in south regions and identify the gaps as well as the specification of information received in the form of the statistical reporting №1-E (IE)-Individual Entrepreneur, the NSC took the following actions: - developed plan of data collection process, the appropriate survey mechanisms, trained the supervisors, tried new draft questionnaire on individual entrepreneurs, registered in data base of the Bishkek City Statistics Department.

At the same time, the data base programmer of the Main Computing Center (MCC) of NSC of the Kyrgyz Republic has developed the data entry program and output table release. After the trial interviewing of individual entrepreneurs by Bishkek city Statistical Office, the data entry program was tested.

During the training the supervisors were given the questionnaires to collect the actual data on about 9000 individual entrepreneurs registered in USRSU as of August 22, 2016.

The survey was undertaken from 1 to 22 September, 2016.

During the field works, the interviewers faced with a number of problems:
- inconsistency of actual address with the notified address during the registration;
- the change of the type of economic activity;
- change of residence place.

In accordance with the activity plan, in October, the operators in the territorial state statistics agencies entered the data.

During the analysis of the obtained data, we encountered problems such as the incorrect coding of type of products according to the classification, missing names of some districts, code and names of the districts not matching.

Further on, the database from four Oblasts was forwarded to the server of the Main Computer Center of the NSC of KR, where the programmer after the processing of collected data received the output tables, which were used for preparation of analyses of data collected after survey of individual entrepreneurs (see “In-depth analyses and assessment of the current state of business statistics in the Kyrgyz Republic”)

In the course of the total survey more than 800 individual entrepreneurs were identified, which were not registered in state statistics agencies (see table below):

| Table 2. The number individual entrepreneurs before and after survey |
|------------------|------------------|------------------|------------------|------------------|
| Batken Oblast    | Jalal-Abad Oblast| Osh Oblast       | Osh city         | Total            |
| before           | 1867             | 1780             | 3863             | 1538             | 9048             |
| after            | 1982             | 2301             | 3693             | 1843             | 9819             |

The results of survey were presented during the high-level meeting on the 5th session of UN ESCAP Statistical Committee, which was held within the framework of the Regional program for improvement of economic statistics in Asia and Pacific from December 14 to December 16, 2016 in Bangkok, Thailand.
2. Survey methodology

In-depth analysis and assessment of the current state of business statistics in the Kyrgyz Republic was the basis for pilot survey of individual entrepreneurs in the South of the country.

Statistics of industry is the main part of enterprise statistics. The organization of work of industrial statistics is carried out in accordance with the methodological provisions approved by the National Statistical Committee, as well as the main international recommendations (UN Guidelines on the Industrial Production Index, International Recommendations of the UN Statistical Commission on Statistics of Industry 2008, System of National Accounts (SNA) 1993). The basic framework of the classification of economic activities is (NACE, rev.2), as well as the State Statistical Classification of Products (goods and services) - the statistical classification of products by type of activity in the European Economic Community (CPA EU) and list of products for the European Production Statistics (PRODKOM).

Before the survey, the sample of individual entrepreneurs engaged in industrial activities was conducted.

The major objects of the survey were individual entrepreneurs included to database of the USRSU.

Of course, the focus was on those entrepreneurs who have registered in the state statistical bodies.

The list of individual entrepreneurs includes business entities with the status of activity:

- 1 – active entity;
- 2 – temporarily not active (up to 1 year);
- 3 – in Liqu (undergoing liquidation)
- 4 – newly established entity.

2.1. Objectives of the survey

To improve the quality of estimates on the volumes of industrial production, produced by the individual entrepreneurs, it requires survey to have data on a number of active entities, the type of economic activity, specific economic series of their production activity. These data will be used for updating of the universe estimates in the register of the statistical units by regions, with an accurate bank identifications, types of activity and also initial data for the estimates of quantities of the produced industrial products in monetary and volume terms, data on a number of employed people and a season when the products are produced (seasonality of production accounting). It will substantially improve the data base for further accounting of the quantities of industrial products, index of actual volume of production and additional data reporting for accounting of the GDP.

2.2. Structure of the survey

For collection of information, FORM -№ 2-A (IE)- (Individual Entrepreneur) was used (survey of business activeness of individual entrepreneurs)

The main issues included to FORM:
• **Section I. State of activeness of individual entrepreneur at the time of survey**

In this section - 4 alternative answers are proposed.

As of August 22, 2016 9815 of individual entrepreneurs were surveyed in the southern regions (Batken, Jalal-Abad, Osh Oblasts and Osh city).

Out of above said:

- 3455 - active individual entrepreneurs,
- 459 – registered, but not started the activity,
- 832 – stopped the activity with intention to continue,
- 5069 – stopped the activity without intention to continue the activity.

• **Section II. Number of employed people at the moment of survey**

As of the time of interviewing, the number of employed people accounted 8802 people.

• **Section III. Economic indicators:**

Section III was consisted of four items

- **3.1 Productive capacity of mini-workshop.**

  This indicator is for the statisticians for additional accounting of production.

- **3.2 The volume of produced products (works, services) for January-June 2016.**

  Since the survey was in September 2016, the results are taken for the 6 months period of 2016.

  In accordance with the results of six months, the volume of the produced products (works, services) without VAT and excise duty (thsd.som) by the individual entrepreneurs accounted 1586,7 (mln. soms). 98% of produced volume is accounted for processing industry, and out of this about 48% is due to food production (from the total volume of produced products). The major part in the production of food products is taken by bakery products and baking production – 79,1%, flour milling, pearling mill – 12,2%, oil industry extraction and rendering – 3,2%

- **3.3 Production of products (works and services) from the beginning of the current year.**

  In this item the whole production is described (works and services), which is produced by the individual entrepreneurs in Oblast and county–wise according to the results of six months period.

- **3.4 Type of fuel (energy).**

  When answering the question "What type of fuel (energy) is used in production," we wanted to see what types of fuel individual entrepreneurs use in their industrial activities and whether new types of fuel were used or not, such as solar batteries, biogas, etc.

2.3. **Sampling design**

During the survey of economic activity of the individual entrepreneurs, the state statistical bodies faced with the difficulties of designing and maintaining of active sample frames (i.e. list of survey units of parent population formed on the base of USRSU). The developed methodological provisions can help to ensure the full coverage of sampling and will take into account the structure
and the quality of available in the state statistical agencies the information on individual entrepreneurs.

List-based sampling for this survey was composed by the individual entrepreneurs busy in the industrial activity and registered in state statistical agencies.

The sampling was made by actual type of economic activity of the individual entrepreneur. The sampling with the characteristics of activity accounted 16860 entities (as of August 2016):

1- active entity; 2- temporarily not active (up to 1 year); 3- in Liqu (undergoing liquidation); 4- newly established entity

The files with the lists were prepared in such a way as to split them and send around the territories for preliminary updating of address portion and contact details, that will make survey process easy. Updating of enterprise register was made by the specialists of Register Division and Industry Division of the NSC of the Kyrgyz Republic. After that the information is printed out and distributed among the interviewer to conduct the further survey.

3. Data collection and processing

The complete and trustworthy statistical information is a master base for the economy management process. The whole information, which has a national economy significance ultimately is to be processed and analyzed by the statisticians.

Only statistical data can make us to identify the GDP and national income, to choose the main trends of development of economy sectors, evaluate the inflation level, analyze the state of finance and products markets, study living standards of people and other socio-economic phenomena and processes.

To have statistical information, the state and departmental statistics agencies (ministries and agencies data) and also the commercial structure should follow the different statistical survey. The process of statistical survey includes three main stages: - data collection, its summary and grouping, analyses and estimation of summary indicators.

The results and quality of the whole follow-up work will depend on how the initial statistical material was collected, processed and classified. And finally, any irregularities may cause serious fallacies.

Any survey is - a search, collection and processing of data specially for specific analyses. To solve any specific survey problem, the survey should be based on the initial information, in other words “raw data”. The main advantages of the so called raw data are as follows: - data are collected in strict adherence to proper goals; methods of data collection are under strict control. The main disadvantage of the collection of field data are tangible costs and labor.

The survey procedures are always based on the explicit mathematical and statistical models, which make us to have not an idea and assumptions, but exact quantitative (numerical) values of indicators of interest. On the base of survey results, one may calculate the necessary volumes of production, cost-effectiveness, price assessment, product parameters, identify unoccupied market niche and many other things, which may be the most adequate way of numerical evaluation.

The main sources to have information are:
• Interview and enquiries;
• Registration (observation).

Interview - clarification of people position or have any information from them on any question. Enquiry is the most popular and important way of data collection. About 90% of survey are using this method.

As a result of statistical observation, we should have an objective, comparable, complete information, which helps for the next steps survey and to secure the scientifically substantiated conclusion on the character and the logic development of phenomena of interest.

In accordance with the schedule of activities and the list of entities to be surveyed, 62 interviewers surveyed individual entrepreneurs in the southern regions of the country over the period from 1st September to 22nd September 2016. The interviewers submitted all completed questionnaires and notebooks to regional supervisors for checking (28 people from territorial statistical bodies) over the period from 1st October to 3rd October 2016. After the necessary correction, the operators (5 people) entered the primary survey data. Then the output tables were formed on the regional and district levels. In November 2016 the database was forwarded to NSC in order to form the output tables at the national level.

During the survey of individual entrepreneurs engaged in industrial production activity in Kyrgyz Republic, the interviewers faced with the different difficulties. This is because the Kyrgyzstan is a mountainous country and most of the sites are high up in the mountains or in hard-to-reach areas to conduct surveys and great geographical extent. During the field works, the interviewers had other problems like:

• inconsistency of actual address with the notified address during the registration;
• the change of the type of economic activity;
• change of residence place.

All these changes were marked in the notebook of the interviewer for its further processing in USRSU.

4. Analytical section

4.1. Survey results and how they impact on business statistics and national accounts indicators

Prior to survey there was implemented a sampling on actual economic activity of the individual entrepreneur. As of August 2016, the sampling accounted 16180 entities, including the Oblasts.

Number of registered individual entrepreneurs in the Kyrgyz Republic accounted 16860 people, out of them 9035 individual entrepreneurs are registered in Batken, Jalal-Abad, Osh Oblasts and in Osh city.

As a result of the survey 9815 of individual entrepreneurs were identified.
Table 3. The number of individual entrepreneurs revealed as a result of the survey

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active individual entrepreneurs</td>
<td>3455</td>
</tr>
<tr>
<td>Registered entrepreneurs who didn’t start their activity</td>
<td>459</td>
</tr>
<tr>
<td>Entrepreneurs who stopped their activity with the intention to continue</td>
<td>832</td>
</tr>
<tr>
<td>Entrepreneurs who stopped their activity without intention to continue</td>
<td>5069</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>9815</strong></td>
</tr>
</tbody>
</table>

Table 4. The number of individual entrepreneurs revealed as a result of the survey by sectors of economy

<table>
<thead>
<tr>
<th>Sector</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining</td>
<td>205</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>9544</td>
</tr>
<tr>
<td>Supply of electricity, gas, steam and conditioned air</td>
<td>7</td>
</tr>
<tr>
<td>Water supply, cleaning, waste treatment and recycling</td>
<td>59</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>9815</strong></td>
</tr>
</tbody>
</table>

Activity status at the moment of the survey was analyzed and it was revealed the following:

*Figure 2. Status of activity of individual entrepreneurs at the moment of the survey (in %)*

- 35.2% active individual entrepreneurs
- 51.6% entrepreneurs who stopped their activity without intention to continue
- 8.5% Entrepreneurs who stopped their activity with the intention to continue
- 4.7% registered entrepreneurs who didn’t start their activity
The data on volume of output production are provided in Section 3.1

Table 5. The volume of output products (works and services) for January-June 2016 by sectors of economy

<table>
<thead>
<tr>
<th></th>
<th>Volume of output products (works, services) (thsd. soms)</th>
<th>Including the volume of services of industrial character (thsd. soms)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Kyrgyz Republic</td>
<td>1 586 744, 4</td>
<td>124 307, 4</td>
</tr>
<tr>
<td>Mining</td>
<td>581 77</td>
<td>0,0</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>1 564 469, 0</td>
<td>124 135, 2</td>
</tr>
<tr>
<td>Supply of electricity, gas, steam and conditioned air</td>
<td>0,0</td>
<td>0,0</td>
</tr>
<tr>
<td>Water supply, cleaning, waste treatment and recycling</td>
<td>16 457, 7</td>
<td>172, 2</td>
</tr>
</tbody>
</table>

The Table 5 shows that manufacturing covers the main volume of production.

*Figure 3. The number of employed persons in manufacturing at the moment of the survey (in %)*
Table 6. The volume of output products (works and services) for January-June 2016 by territory

<table>
<thead>
<tr>
<th>Territory</th>
<th>Volume of output products (works, services) (thsd. soms)</th>
<th>Including the volume of services of industrial character (thsd. soms)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Kyrgyz Republic</td>
<td>1 586 744,4</td>
<td>124 307,4</td>
</tr>
<tr>
<td>Jalal-Abad Oblast</td>
<td>293 577,7</td>
<td>60 749,7</td>
</tr>
<tr>
<td>Batken Oblast</td>
<td>394 393,9</td>
<td>169 13,9</td>
</tr>
<tr>
<td>Osh Oblast</td>
<td>374 869</td>
<td>43 401,3</td>
</tr>
<tr>
<td>Osh city</td>
<td>523 903,8</td>
<td>324,2</td>
</tr>
</tbody>
</table>

The number of employed workers at the moment of the survey has made up 8802 people.

Table 7. The number of employed people at the moment of the survey by sectors of economy (units)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining</td>
<td>40</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>8712</td>
</tr>
<tr>
<td>Supply of electricity, gas, steam and conditioned air</td>
<td>0</td>
</tr>
<tr>
<td>Water supply, cleaning, waste treatment and recycling</td>
<td>50</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>8802</strong></td>
</tr>
</tbody>
</table>
Figure 4. The number of employed people by territory (units)

This graph shows that the major part of employed workers is concentrated in Osh Oblast. The number of employees in the production of foodstuffs has made up 3498 people and the graph 5 shows that the majority of employees are engaged in the production of bakery products.

Figure 5. The number of employed people in food industry

Responding to the question «What type of fuel (energy) is used in production activity», more than 76% of individual entrepreneurs answered they use electric energy. 20% of respondents use coal and the rest 4% use natural gas, fuel oil, solar batteries, dung cakes, fire wood and water.
In processing industry, 75.6% of individual entrepreneurs use electric energy and out of them, the food production sector – 42%.

Mostly, the coal is used in processing industry (bakery production) which comprises 775 individual entrepreneurs or 20.3%.

Natural gas is used by 31 entrepreneurs or 0.8% out of total number of individual entrepreneurs. All of them are involved in processing industry.

About 2% of individual entrepreneurs use the fire wood, which is about 67 people or 1.8% use the fire wood for bakery and flour products.

Totally, 3822 individual entrepreneurs had been surveyed and 32 of them (0.8%) answered that they use fuel oil, solar batteries, dung cakes and water. Biogas as a fuel in the southern regions of the country is not used.

Generally, the answers above allow to get information that electric energy is mostly used in industry production. The Kyrgyz Republic is the main producer of hydro-energy in Central Asia, and in comparison with other types of energy the electric energy is the most accessible and cheap type of energy.

According to the results of the survey, each regional statistical office works on improvement of the quality and completeness of the data collected on a monthly basis by Form 1-E (IE) (Individual Entrepreneur).

In Batken Oblast, a lot of work had been done to update the register of IE engaged in industrial activities. In particular, according to the results of the survey, there were identified the IE engaged in the production of metal products (building profiles, metal roofing slates, wire), production of printing products, cotton wool combing. It was also revealed that flourmills are mainly suspended and are engaged in the production of mixed fodders. Also in some areas confectionery and cake shops were newly opened, and they caused the increase of the volume of production for confectionery and bakery products. In other areas, new shops for the manufacturing of plastic windows and doors, sewing curtains and other garments, cotton wool combing shops were revealed.

In Jalal-Abad Oblast. According to the results of the survey and data of the Unified State Register of Statistical Units (USRSU), out of the number of registered and active individual entrepreneurs engaged in industry production only 675 of the 2301 economic entities are acting entities, which has made up 29.3%.

During the survey, the industrial type of activities of 20 entities was changed to other activities. It was also revealed that the production of bakery products was registered as a trade of bakery products, the peasant farms have additional activities as small mills, butter churn, etc.

During the survey, previously unregistered activities were identified: furniture production, sewing and wooden products. At the end of the survey, specialists from the register division made changes in USRSU.

In Osh Oblast, the Business Activity Register (BAR) on IE engaged in industrial production sector became active. The number of surveyed IEs has made up 3813 economic entities, of which 3705 economic entities were registered earlier in the USRSU. As a result, it was surveyed additionally 108 economic entities.

Of which, including newly revealed IE engaged in industrial production:
• the number of active economic entities - 1406;
• the number of registered, but not yet started their activity - 270;
• the number of those who suspended their activity with the intention to continue – 506;
• without the intention to continue - 1511.

According to results of the survey, changes were made in 559 economic entities existing in the database of USRSU; of which the type of economic activity of 440 economic entities and location of 119 economic entities were changed.

The following main areas of activity of individual entrepreneurs were identified:

- furniture manufacturing;
- manufacture of plastic window and door blocks;
- production of sand blocks and paving slabs;
- manufacture of metal products (mainly: the production of metal gates, doors, metal tile roofing);
- manufacture of wooden windows and doors;
- manufacture of sewing products;
- production of animal feed;
- production of bakery products (ashcake).

It allowed adjusting the industrial production volume.

During the survey, the interviewers were given the task to identify whether the IEs have production workshops or provide services without production areas/premises. In case if IE has a shop, what kind of products is generally produced? If IE provides services, what type of service is this: household or industrial nature (specifically in each case)? It allowed adding into the list of statistical reporting also the IEs with production areas/premises.

In Osh city, 2016 individual entrepreneurs were surveyed, of which 1843 economic entities were entered into the database. As of 22\textsuperscript{nd} August 2016, 1699 individual entrepreneurs were registered and 144 economic entities were additionally surveyed. As a result of the survey, 148 individual entrepreneurs changed the type of economic activity.

Among 1843 economic entities identified during the survey:

Active - 567 individual entrepreneurs;
Not started their activity - 21 individual entrepreneurs;
Temporarily suspended - 163 individual entrepreneurs;
Not working - 1029 individual entrepreneurs.

According to the results of survey, the register of private entrepreneurs was specified and compared with the list of Tax Office which sends the lists of patented individual entrepreneurs to the state statistical bodies on a quarterly basis. After this checking, individual entrepreneurs with patent but not registered in statistical bodies were included into the statistical register (USRSU).
According to the survey results, the individual entrepreneurship is developed in industry sector with low concentration of production and small barrier to enter to the market. It concerns with food industry sector, textile production, manufacture of clothes, wood processing sector, production of other nonmetallic mineral products, concrete products for construction, finished metal products and also furniture manufacturing.

One of the main factor of the development of individual entrepreneurship is the presence of information and transport and stocking infrastructure and associations of entrepreneurs and market outlet. Therefore, particularly big cities have prime advantage in small business development. The most successful development of business is observed in the regions where big cities are located – Osh, Jalal-Abad, Batken Oblasts and oblast centers.

For the further growth of small business, it is important to have more favorable socio-economic environment. Along with the development of small business, the share of economically active population is rising up, which drives up earnings and levels the disproportion in well-being of different social groups. Due to the development of small businesses - material, financial and natural resources are being mobilized as well as the effectiveness of its usage. The individual entrepreneurship in Kyrgyzstan exercises new functions, which are caused during the transformations if economic system toward market economy, such as denationalization, development of private property, downsizing of the industrial, transport and fuel-energy giants. In addition to the above said, the small enterprises are able to promote innovations in production sector. The survey, based on the official statistical data, shows that at present the individual entrepreneurship has an important impact on economic processes taken place in our country.

5. Conclusion and next steps

For further growth of small businesses, it is required to create more favorable social and economic conditions for its development. With the development of small businesses, the share of the economically active population is increasing, which increases the incomes of people and alleviates the disparities in the welfare of various social groups. With the help of small business, the physical/tangible, financial and natural resources are mobilized, and the effectiveness of their use is increased. The official statistical data collected through the survey shows that individual entrepreneurship visibly influences the economic processes that are taking place in our country.

In order to improve the production of statistical data in accordance with the Programme for the Development of State Statistics of the Kyrgyz Republic for 2015-2019, it is planned to develop a methodology for sampling surveys of informal activity of small business entities in the field of industrial production that will help to have comprehensive data on a number of economic entities and their key economic indicators. As a result, there is a need to conduct a national survey of individual entrepreneurs registered in the statistical register to update the register and use these data for further work.

One of the sections of the National Strategy of Sustainable Development of the Kyrgyz Republic for the period of 2013-2017 is related to the development of small and medium entrepreneurship, which states:
«Each active citizen of Kyrgyzstan should feel a support from the State in case he wants to have his own business. Creation of conditions to develop entrepreneurial activeness should be prioritized objective for the public authorities. The basis of any market economy is the private sector, where the small and medium enterprises play an important role».

Private entrepreneurs do not require large start-up investments, they have a high turnover rate of resources and are able to solve the problem of the formation and saturation of market with consumer goods quickly and economically.

In the country, the small and medium enterprises are mostly are engaged in marketplace and services, and not so much in the production sector. Engagement in this type of economic activity rather than production does not contribute significantly to economic growth, but leads to irrational use of natural, labor, intellectual and other resources of the country.

Current situation

The development of small and medium-sized entrepreneurship in Kyrgyzstan is still far from the desired level. The contribution of small and medium-sized entrepreneurship is more than 40% of GDP.

In previous years, there were consistent key reforms in entrepreneurship sector, as well as the significant legal framework, securing and delimiting the rights and duties of the state and business.

Table 8. The share of gross value added in GDP (in %)

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small enterprises</td>
<td>6,8</td>
<td>7,6</td>
<td>7,5</td>
<td>6,9</td>
<td>6,9</td>
</tr>
<tr>
<td>Medium enterprises</td>
<td>4,8</td>
<td>4,4</td>
<td>4,5</td>
<td>3,9</td>
<td>3,6</td>
</tr>
<tr>
<td>Individual entrepreneurs</td>
<td>16,8</td>
<td>17,8</td>
<td>17,6</td>
<td>21,0</td>
<td>22,1</td>
</tr>
<tr>
<td>Peasant farms</td>
<td>11,1</td>
<td>10,1</td>
<td>9,3</td>
<td>8,5</td>
<td>7,9</td>
</tr>
<tr>
<td>Total</td>
<td>39,5</td>
<td>39,9</td>
<td>38,9</td>
<td>40,3</td>
<td>40,5</td>
</tr>
</tbody>
</table>

After the final survey of the individual entrepreneurs of the Kyrgyz Republic there will be a possibility of amending statistical register, having trustworthy information, seeing the picture of the productive activity of individual entrepreneurs, which will contribute to the reduction of the share of non-observed economy in GDP. The share of non-observed economy in GDP may be reduced with the proper coverage of individual business activity. The statistical register of individual entrepreneurs could be significantly improved if NSC would have full access to all administrative data, and survey of enterprises could help to have additional information to improve the quality and accuracy of data.
The main issue in the development of small and medium-sized businesses is the question of competitiveness, because large enterprises, except selected enterprises/firms that have the necessary production, human and scientific potential, do not exist in the country.

Table 9. The volume of industrial production (in % to total volume of industrial production)

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small enterprises</td>
<td>5.8</td>
<td>8.0</td>
<td>7.5</td>
<td>9.2</td>
<td>8.5</td>
</tr>
<tr>
<td>Medium enterprises</td>
<td>7.3</td>
<td>9.8</td>
<td>8.3</td>
<td>8.4</td>
<td>7.3</td>
</tr>
<tr>
<td>Individual entrepreneurs</td>
<td>7.3</td>
<td>9.1</td>
<td>8.4</td>
<td>5.7</td>
<td>6.0</td>
</tr>
<tr>
<td>Total</td>
<td>20.4</td>
<td>26.9</td>
<td>24.2</td>
<td>23.3</td>
<td>21.8</td>
</tr>
</tbody>
</table>

In the previous years, cardinal reforms in the sphere of entrepreneurship were consistently carried out. There is a significant regulatory framework that legislates and delimits the rights and obligations of the state and business. However, the implementation of the legislation has a number of shortcomings including a significant number of overlapping, conflicting regulations, the existence of legal conflicts, inconsistency of the adopted by-laws to laws regulating relations in the field of entrepreneurship.

Despite the ongoing reforms there are still a large number of barriers to SMEs restricting them to join domestic and foreign markets as well as creating problems in doing business (unclear and diffused licensing procedures). As of today, there are about 240 types of licensing documents that should be reduced according to the opinion of business community.

The main goal is to ensure the stable development of small and medium-sized business by creating favorable conditions to increase the competitiveness of their activities.

Achievement of goals depends on a solution of the following complex tasks:
1) strengthening of legislation on the security of private property;
2) reduction of a state interference into the regulation of business activities;
3) provision of financial and credit support and insurance of business activities;
4) entering into the top of thirty countries in the international "Doing Business" rating.

The updated register will help to have comprehensive data on a number of active entities and create the base for sampling survey in industry, which are not covered by the state statistic accounting. The availability and effective use of modern, real and comparable statistics, based on the facts will serve as a base for improvement of the soundness of economic analyses and making of concerned correct decision.

For the management and dissemination of the qualified and complete statistical data meeting the international standards, it is necessary permanently to work on the potential strengthening of the national statistical system.
National Statistical Committee of the Kyrgyz Republic extends the gratitude to Statistical Division of UN ESCAP for the provided finance and technical support to survey the individual entrepreneurs producing the industry products in the south of the country, and also hopes for the continued cooperation.

ESCAP’s support was important for our country, because the last sampling survey was conducted in 2010. The results of the survey helped us to evaluate the situation and identify the prioritized objectives for the development of economic statistics.

The results of survey of the individual entrepreneurs producing industrial products have a direct impact on solution of problems to reach the goals of the National Strategy of Sustainable Development of the Kyrgyz Republic.

At present, the results of survey are used for estimation of the index of physical volume of industrial products produced by individual entrepreneurs that impact on main economic ratio and proportion between production and consumption; consumption and accumulation; disposal incomes; production of goods and services.