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**LAW OF THE KYRGYZ REPUBLIC
On Investments in the Kyrgyz Republic**

(as amended by Laws of Kyrgyz Republic No. 76 of June 14, 2004, and No. 144 of July 31, 2006, No. 231 of October 17, 2008, No. 141 of April 30, 2009)

Chapter I	General Provisions
Chapter II	Legislative Guarantees to Investors
Chapter III	Government Support of Investors and Investments
Chapter VI	Labor Law Directives Governing Investors
Chapter VIII	Final Provisions

This Law sets forth the main principles of the national investment policy aiming at improving the investment climate in the republic and promoting local and foreign investment by guaranteeing investors fair legal treatment and protection of their investments into the economy of the Kyrgyz Republic.

CHAPTER I. GENERAL PROVISIONS

Article 1. Terminology Used in this Law

1. "Investment" means tangible and intangible assets invested in business entities in the form of:

- money;
- movable and immovable property;
- property rights (mortgages, liens, pledges and others);
- stock and other forms of participation in a legal entity;
- bonds and other debt liabilities;
- non-property rights (rights to intellectual property including goodwill, copyrights, patents, trade marks, industrial designs, technological processes, trade names and know-how);
- any right to engage in activity based on a license or other permit issued by government bodies;
- concessions based on Kyrgyz laws including concessions to prospect for, explore, develop or exploit natural resources of the Kyrgyz Republic;
- profit and income derived from investment and re-investment in the territory of the Kyrgyz Republic;
- other forms of investment not prohibited by Kyrgyz laws.

A form in which property is invested, or any change in this form shall not influence its nature of investment.

2. "Direct investment" means not less than one-thirds of shareholding or votes of shareholders in joint-stock companies established or being established in the territory of the Kyrgyz Republic, or equivalent participation interest in enterprises of other business form and all subsequent operations between investor and investee company, capital investment into fixed assets of branches or representative offices of a legal entity founded in the territory of the Kyrgyz Republic.

3. "Investor" means a party to investment activity providing its own, borrowed or attracted funds in the form of direct investment.

"Domestic investor" means Kyrgyz individuals and legal entities and foreign nationals (stateless persons) having a status of the resident of the Kyrgyz Republic and carrying out investment activity in the territory of the Kyrgyz Republic.

"Foreign investor" means any individual or legal entity, other than domestic investor, investing in the economy of the Kyrgyz Republic, including:

1) an individual being a foreign national (stateless person) permanently residing outside the Kyrgyz Republic;

2) a legal entity that is:

- formed and registered under the laws of a foreign State; or
- formed with foreign participation, i.e. established under the laws of the Kyrgyz Republic and:
 - fully owned by one or more foreign individuals or legal entities; or
 - controlled and managed by one or more foreign individuals or legal entities pursuant to a written contract, right to sell a majority of shares, right to appoint a majority of members to its executive or supervisory bodies, or
 - in which not less than one-thirds of shareholding or votes of shareholders is owned by foreign individuals, or stateless persons, permanently residing abroad, or by legal entities referred to herein.

3) a legal entity that is founded by inter-governmental treaty of the Kyrgyz Republic;

4) a foreign organization which is not a legal entity;

5) an international organization.

4. "Investment activity" means practical operations of an investor relating to its investment.

5. "Reinvestment" means investing in business objects in the territory of the Kyrgyz Republic using the proceeds and profits of investors derived by them from their investment in the Kyrgyz Republic.

6. "Investment dispute" means any dispute between an investor and government bodies, officials of the Kyrgyz Republic and other participants of investment activity, arising in the process of investment.

7. "Authorized government body" means a state government body authorized by the Government of the Kyrgyz Republic to promote investment and coordinate investment activity in the Kyrgyz Republic. The regulation on the authorized government body is approved by the Government of the Kyrgyz Republic.

Article 2. Legislation of the Kyrgyz Republic on Investment

1. The legislation regulating the investment regime consists of the Constitution of Kyrgyz Republic, this Law, other laws and normative legal acts of the Kyrgyz Republic.

2. If any amendments or modifications are made to investment, tax, customs legislation of Kyrgyz Republic except for the Constitution of Kyrgyz Republic, and the legislation in the field of state security, public health and environmental protection, investors shall be allowed to choose the most favourable conditions during ten years (or other term provided in the investment agreement) from the date of starting their investment activity.

3. In case of contradiction between the provisions of this Law and international agreements to which the Kyrgyz Republic is a signatory, the provisions of the international agreements shall apply.

(As last amended by Law No. 144 dated July 31, 2006, No. 231 of October 17, 2008).

Article 3. Scope of Law

1. *The relations in the field of direct investment in the Kyrgyz Republic shall be regulated by this Law and other normative legal acts of the Kyrgyz Republic enacted in accordance with this Law.*

2. *Investments into credit or insurance organizations shall be regulated by specific normative legal acts of the Kyrgyz Republic.*

CHAPTER II. LEGISLATIVE GUARANTEES TO INVESTORS

Article 4. Guarantees of Investment and Investor Protection

1. *The Kyrgyz Republic shall grant to foreign investors carrying out investment in the territory of the Kyrgyz Republic the national treatment applied to Kyrgyz individuals and legal entities.*

2. *Foreign investors, their representatives and foreign employees residing in the Kyrgyz Republic in connection with their investment activity shall have the right to freely travel throughout the territory of the Kyrgyz Republic, except for the territories subject to the conditions and procedures set forth in relevant laws of the Kyrgyz Republic.*

3. *The Kyrgyz Republic through its authorized government bodies shall grant equal investment rights to domestic and foreign investors regardless of citizenship, nationality, language, sex, race, religion, principal place of business and country of origin of investors or investments, except as provided by Kyrgyz laws.*

4. *The Kyrgyz Republic through its authorized government bodies, officials and local self-governance bodies shall prevent any interference in economic activity, rights and legal interests of investors, except as provided by Kyrgyz laws.*

5. *The officials of the Kyrgyz Republic violating the provisions of this Article shall be held liable as provided by Kyrgyz laws.*

6. *The restoration of violated rights and interests of investors guaranteed by Kyrgyz laws shall be subject to laws and international agreements of the Kyrgyz Republic.*

7. *Investors investing into top priority economic and social sectors and in certain areas of the Republic pursuant to the national development programs (projects) may be granted investment incentives in accordance with Kyrgyz laws.*

8. *Investment may be made in any form into the objects and types of businesses not prohibited by Kyrgyz laws, including state-licensed businesses, pursuant to the Law of the Kyrgyz Republic "On Licensing".*

(As last amended by Law No. 76 of June 14, 2004).

Article 5. Guarantees of Export or Repatriation of Investment, Property or Information outside the Kyrgyz Republic

1. *Investors shall have the right to freely export or repatriate in a hard currency the reparation provided in Article 6 hereof and income derived from investments in the territory of the Kyrgyz Republic, including but not limited to the following:*

- a) investment income in the form of a dividend, interest or other forms of proceeds.*
- b) income generated by investors after partial or full termination of investment activity in the Kyrgyz Republic or alienation of investments, property or property rights, without prejudice to the investor's obligations to the Kyrgyz Republic or any other lenders.*

2. Investors who have initially imported to the Kyrgyz Republic the property or information in a documentary or electronic format to be used as investment, shall have the right to repatriate (without being subject to quota, licensing and any other measures of non-tariff regulation of foreign trade) the aforesaid property and information outside the Kyrgyz Republic.

Article 6. Guarantees of Protection from Expropriation of Investment and Reparation of Damage to Investors

1. Investments shall not be subject to expropriation (nationalization, requisition, or other equivalent measures, including actions or omissions by the government bodies of the Kyrgyz Republic which have resulted in forced withdrawal of investors' funds or in depriving them of an opportunity to gain on the investments' results), except as provided by Kyrgyz laws when such expropriation is in the public interests and is carried out on a non-discriminatory basis and pursuant to a proper legal procedure with the payment of timely, appropriate and feasible reparation of damages, including lost profit.

2. The amount of the reparation shall be equivalent to a fair market price of the expropriated investment or part thereof, including lost profit, determined as of the date of the expropriation decision. The fair market price must not reflect any change in the value of investment caused by knowing about the expropriation in advance.

3. The reparation must be feasible and shall be payable in a freely convertible currency within the term agreed on by the parties. The reparation shall include interest calculated in US Dollars at a London interbank offered rate (LIBOR) for the term for which the reparation is charged. If such term is more than one year, a twelve-month LIBOR shall be used.

4. A proper legal procedure means that investors shall have a right to an expedite consideration of the case based on the complaint about the impact of the expropriation, including the evaluation of their investment and payment of reparation in accordance with the provisions of this Article, by a judicial body or any other competent authority of the Kyrgyz Republic without prejudice to the procedure for reparation of damages to investors pursuant to Article 18 hereof.

5. The investors whose investments in the Kyrgyz Republic were impaired as a result of war or any other armed conflict, revolution, state of emergency, civil collisions or other similar circumstances, shall be granted the legal status and conditions as favorable as applied to legal and physical persons of the Kyrgyz Republic.

Article 7. Guarantees of Use of Income

1. Foreign investors shall have the right to freely possess, use and dispose of their investments and income and profit derived therefrom at their own discretion for any purposes not prohibited by Kyrgyz laws.

2. In order to maintain and utilize income and other funds, investors shall have the right to open accounts in the national and foreign currency in the territory of the Kyrgyz Republic in accordance with Kyrgyz laws.

Article 8. Freedom of Currency Operations

1. Currency operations shall be carried out by investors in accordance with the Law of the Kyrgyz Republic "On Foreign Currency Operations" and other normative legal acts of the Kyrgyz Republic in the field of currency regulation.

2. Investors, as regards all payments made in connection with their investments in the Kyrgyz Republic, shall have the right to freely convert the national currency of the Kyrgyz Republic into any other currency.

3. All money transfers in foreign currency related to investment shall be carried out to and from the Kyrgyz Republic freely and without impediment in a manner provided by Kyrgyz laws.

4. Any amendments in Kyrgyz laws restricting foreign currency transfers to and from the Kyrgyz Republic shall not apply to foreign investors. Such restrictions may be applied to foreign investors only on the basis of the law aiming at preventing terrorism financing and legalization (laundering) of criminally derived income.

(As amended by Law No. 141 of April 30, 2009).

Article 9. Free Access to Public Information

1. All normative legal acts of the Kyrgyz Republic and court decisions which affect in any way the interests of investors must be readily available to them and must be published in cases directly provided by Kyrgyz laws.

2. Government bodies and officials of the Kyrgyz Republic shall provide to investors at their request the public information concerned in a manner provided by Kyrgyz laws.

Article 10. Investors' Economic Independence and Recognition of their Rights

1. Investors shall be free to choose the amount, composition and structure of the capital of a newly created legal entity unless otherwise provided by Kyrgyz laws.

2. Investors shall have the right to do business with legal and natural persons, including foreign persons, necessary for investment activity in accordance with Kyrgyz laws.

3. Investors may establish subsidiaries, branches and representative officers in the territory of the Kyrgyz Republic subject to Kyrgyz laws. Branches and representative officers shall operate pursuant to the regulations approved by a parent (main) company and shall carry out their activity on behalf of the parent company. The parent (main) company shall be liable for the activities of its branches and representative offices.

4. By agreement, investors may transfer their rights (assign claims) and obligations (assign debts) in accordance with Kyrgyz laws.

5. Investors may, on a voluntary basis, form associations and other unions in the territory of Kyrgyz Republic in accordance with Kyrgyz laws.

6. Investors may attract to the Kyrgyz Republic monetary funds by providing credits or issuing securities and loans. The investors' assets and various property and non-property rights may be used as a security for such investors' obligations.

7. Investors may participate in the privatization of state and municipal property by acquiring the ownership rights to the state and municipal property or the State-owned shares (participation shares, contribution) in the charter capital of the enterprise being privatized subject to the terms and in a manner provided by Kyrgyz laws.

8. Investors may acquire the government securities, stock and other securities of legal entities registered in the Kyrgyz Republic in accordance with Kyrgyz laws.

9. The Kyrgyz Republic and its officials shall recognize all rights of investors with respect to their intellectual property and assets and the rights pertaining to foreign investments.

10. Upon transfer of the ownership right to the buildings and structures, the right to use land plots shall be transferred along with these objects in a manner and subject to the terms and conditions provided by Kyrgyz laws.

11. The right to lease a land plot may be acquired by investors in a manner provided by Kyrgyz laws.

Article 11. Concession Agreements

1. Concessions to explore, develop and exploit natural resources and subsoil and to conduct other business activity shall be granted to investors on the basis of concession agreements or covenants entered into by investors with the authorized government bodies of the Kyrgyz Republic in a manner provided by Kyrgyz laws.

2. Concessions shall be allowed in all spheres and types of activity unless they are prohibited by Kyrgyz laws or contradict the purposes of the concession agreements being entered into.

Article 12. Investments in Special Economic Zones

The investment into special economic zones shall be subject to the provisions of Kyrgyz laws governing special economic zones.

CHAPTER 3. GOVERNMENT SUPPORT OF INVESTORS AND INVESTMENTS

Article 13. Aim of Government Support of Investors and Investments

1. The government support and protection of investors and investments is aimed at creating favorable investment climate and attracting direct investments in the country's economy.

2. The government support and protection of investors, the promotion of investments shall be carried out by an authorized government body.

Article 14. Authorized Government Body in Charge of Support and Protection of Investors and Promotion of Investments

1. For the purposes of the government support and protection of investors, promotion of investments in the Kyrgyz Republic, the authorized government body, in accordance with the Regulation approved by the Government of the Kyrgyz Republic, shall perform the following functions:

- ensuring the liaison between government bodies and investors;
- preparing and distributing information about investment opportunities and conditions in the Kyrgyz Republic;
- advising potential investors on legal, economic and other issues regarding a specific activity;
- providing investors with necessary information related to the obtaining of permissions to engage in certain activities and providing relevant assistance;
- providing active assistance in resolving problems of existing and potential investors, including assistance and protection if they encounter with illegal actions or hindrances caused by the government and other bodies;
- developing proposals for all government bodies of the Kyrgyz Republic concerning improvement of the investment climate in the Kyrgyz Republic;
- within its competence, representing the Kyrgyz Republic or participating on behalf of the Kyrgyz Republic in international negotiations or consultations on foreign investments;

- *taking steps to perform obligations of the Kyrgyz Republic arising out of international agreements, implementing international cooperation arrangements, organizing study and use of international experience in these spheres;*
 - *advising government bodies and officials on the existing or planned investment policy;*
 - *organizing and conducting competition of investment projects and programs jointly with the ministries and agencies concerned;*
 - *performing other functions directed at promoting investments, supporting and protecting investors in the Kyrgyz Republic.*
2. *Investors shall, on an equal basis, have the right but not the obligation, to use investor interests' promotion and protection services provided by the authorized government body in charge of investment promotion.*

**CHAPTER 4.
LABOR LAW DIRECTIVES GOVERNING INVESTORS**

Article 15. Labor Relations between Investor and Kyrgyz Citizens

The relations between investors and employees being the citizens of the Kyrgyz Republic shall be governed by Kyrgyz legislation on labor.

Article 16. Attraction of Employees other than Kyrgyz Citizens

1. *Investors shall have the right to freely hire employees other than Kyrgyz citizens in accordance with Kyrgyz laws. Such employees other than Kyrgyz citizens may be appointed to the managing bodies of an enterprise.*

2. *Any salary, compensation and other types of reimbursement paid by investors to employees may be freely transferred outside the Kyrgyz Republic in a manner provided by Kyrgyz laws.*

3. *The authorized government bodies shall render assistance to foreign citizens with their entrance, departure and stay for the term of their employment within the scope of the investment activity in the Kyrgyz Republic.*

Article 17. Social Insurance and Welfare

1. *Investors shall be obliged to pay for their employees being Kyrgyz citizens, or stateless persons, all sorts of social insurance contributions on state social insurances as provided by Kyrgyz laws.*

2. *Foreign investors shall have the right to transfer social insurance and welfare payments for foreign employees to the respective funds of the foreign state, unless otherwise provided by international agreements of the Kyrgyz Republic.*

CHAPTER 5. FINAL PROVISIONS

Article 18. Settlement of Investment Disputes

1. *The investment dispute shall be settled in accordance with any applicable procedure preliminarily agreed upon by an investor and the authorized government bodies of the Kyrgyz Republic which does not preclude the investor from seeking other legal remedies in accordance with Kyrgyz laws.*

2. Failing such agreement, the investment dispute between the authorized government bodies of the Kyrgyz Republic and the investor shall be settled by consultations between the parties. If the parties do not settle amicably within 3-month period from the day of the first written request for such consultation, any investment dispute between the investor and the government bodies of the Kyrgyz Republic shall be settled in judicial bodies of the Kyrgyz Republic, unless in case of a dispute between the foreign investor and the government body, one of the parties requests the dispute to be considered in accordance with one of the following procedures by submitting the dispute to:

- a) the International Center for Settlement of Investment Disputes (ICSID) under the Convention on the Settlement of Investment Disputes between States and Citizens of Other States or the rules regulating the use of additional remedies for conducting the hearings by the Secretariat of the Center; or
- b) arbitration or an international temporary arbitral tribunal (commercial court) formed in accordance with the arbitration rules of the UN Commission on International Trade Law.

3. In the event that an investment dispute is submitted to arbitration mentioned in sub-points “a” and “b” of point 2 of this Article, the Kyrgyz Republic shall waive its right to invoke internal administrative procedures or judicial proceedings prior to submitting the dispute to international arbitration.

4. Any investment dispute between the foreign and domestic investors shall be considered by the judicial bodies of the Kyrgyz Republic unless the parties agree on any other dispute settlement procedure, including national and international arbitration.

5. Disputes between foreign investors and individuals and legal entities of the Kyrgyz Republic may be settled by an arbitral tribunal of the Kyrgyz Republic, as well as a foreign arbitral tribunal, by agreement of the parties. Failing such agreement, the disputes will be settled in a manner provided by Kyrgyz laws.

Article 19. Investment Obligations of the Kyrgyz Republic

The Kyrgyz Republic shall not be liable for the obligations of resident and non-resident entities of the Kyrgyz Republic attracting foreign and/or domestic investments, except when these obligations are guaranteed by the Government in a manner provided by Kyrgyz laws.

Article 20. Observance by Investors of Kyrgyz Laws

1. Investors shall observe Kyrgyz laws when carrying out their economic activity in the territory of the Kyrgyz Republic.

2. In the event of violation of Kyrgyz laws, investors shall be held liable in accordance with Kyrgyz laws.

Article 21. Specifics of State Registration of Legal Entities with Foreign Participation

The state registration, re-registration and liquidation of legal entities with foreign participation as well as of their branches and representative offices shall be carried out in accordance with the Civil Code of the Kyrgyz Republic and the Law of the Kyrgyz Republic “On State Registration of Legal Entities”.

Foreign investors shall additionally provide the following documents:

- a foreign legal entity being a founder shall provide a legalized extract from the trade register confirming that the founder is an operating legal entity under the laws of the country