

**ANALYZING THE GROWTH POTENTIAL OF OUTSOURCING SERVICES IN  
KYRGYZSTAN: OPPORTUNITIES AND CHALLENGES FOR FOREIGN INVESTORS**

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2024**

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KYRGYZSTAN: OPPORTUNITIES AND CHALLENGES FOR FOREIGN INVESTORS**

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Budapest, 2024

## **ABSTRACT**

The thesis studies the growth potential of outsourcing services in Kyrgyzstan in comparison to global outsourcing destination countries and examines investment opportunities, legal and economic challenges for foreign investors. Against the background of the development of the global outsourcing services, such as Information Technology (IT), Business Process Outsourcing (BPO), and Knowledge Process Outsourcing (KPO) sectors, the Kyrgyz Republic is aimed to attract foreign investors for increasing industry, using its strategic location, young workforce and low operational costs. The study analysis existing outsourcing capabilities with the success of the local companies in different markets such as logistics dispatching, accounting and creative industries.

A mixed-method approach was used, combination of qualitative analysis of policy frameworks and case studies with quantitative evaluation of economic indicators. Studies important government initiatives, such as High Technology Park (HTP) and Park of Creative Industries (PCI), which offer significant tax incentives and support for outsourcing specialized companies. However, challenges such as shortcomings in the infrastructure, inconsistent regulatory environments, limited English proficiency, and political instability negatively affects investor confidence and the country's ability to attract large-scale foreign direct investment (FDI).

The thesis studies the need for a comprehensive strategy integrating policy reforms, international partnerships, and local capacity-building initiatives and improving the country's brand. Kyrgyz Republic can position itself as a competitive outsourcing destination in Central Asia. This study contributes to the better understanding of the emerging outsourcing market and provides valuable strategies for stakeholders aiming to discover the sector's economic and social benefits in Kyrgyzstan.

DECLARATION of originality

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No part of this dissertation has previously been used in other training at an educational institution during graduation.

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## 1. INTRODUCTION

I chose to research and analyze the growth outsourcing market in Kyrgyzstan, opportunities for Foreign Investors and challenges, because i have been working remotely since May 2019 at a USA company. After graduating from my bachelor degree i worked in Istanbul, Turkey from 2014 till 2019 as a job migrant. Through my personal experience i see the potential of outsourcing services not only for Foreign Investors, but also for Kyrgyz laborers and the economy of Kyrgyzstan. The biggest economical issue of Kyrgyzstan is labor migration and unemployment. With a total population of 7 million and the economically active population of 2.6 million people, around 1 million of them being migrant workers. (IOM, 2019) Based on this, creating new job places and attracting foreign investment is a very important challenge for our country. Since the main reasons for migrant workers are the lack of jobs and low salaries, outsourcing can solve many problems. Possibility of working from Kyrgyzstan in companies of developed countries with high salaries in markets such: IT, animation, accounting, online education, digital offices, logistics, architecture and design, call centers, basically all sectors which can provide remote jobs. Especially last year's Kyrgyz government providing new opportunities for foreign investors with low taxes, safety and long term support. Promoting a program SPE (State Private Enterprise), where investors can invest or share stock of all companies and all sectors and the government undertakes simplification of all processes which attracts and interests more and more investors.

With the development of the internet, online services and digital economy, the outsourcing industry shows stable development and big opportunities. Since 1990th with globalization and the increase of international corporations and new technologies the level of production, sales and services has increased and reached a new level in the last 3 decades. Most international companies outsourced or offshored destinations were China and India. Over the last decade new players have developed the global industry as main players e.g. Philippines, Malaysia, Columbia, Poland, Malaysia, and Costa Rica. These new markets for outsourcing services categories into three areas. Business Process Outsourcing (BPO), Information Technology Outsourcing (ITO), Knowledge Process Outsourcing (KPO). (Willcocks, L., & Lacity, M., 2006). Outsourcing contributes to the economic growth of developing countries by attracting new financial resources.

Workers employed by foreign outsourcing providers typically have more funds at their disposal, allowing them to increase consumption. They begin to purchase goods and services in industries where they have not previously made purchases, which stimulates the growth and development of these sectors. The win-win key of growing foreign economies through outsourcing is they will develop into potential future business partners for developed countries. Their economies will be stronger, enabling them to trade internationally and buy products and services from the same countries that initially outsourced them. This illustrates the full circle benefits of outsourcing and the best example of globalization. One of the biggest issues facing the globe now is the increasing gap between the richest and poorest countries in the world, which outsourcing attempts to alleviate. Globalization will enable a better future for all people by fostering global peace, security, and prosperity (C. Anderson, 2021). One of the main reasons for the development of the outsourcing industry worldwide is a challenge of international corporations and companies to save money on business processes, salaries, taxes and access to global talent to get high quality service. The revenue of the Business Process Outsourcing market is expected to be 390\$ USD billion in 2024 and expected to increase at an annual growth rate between 2024-2029 of 4.67%, with a market volume of 490\$ USD billion by 2029. And the largest job generated market worldwide is the United States with a revenue of 146.30\$ USD billion in 2024 (Statista, April 2024). This research aimed to analyze world experience and trends and to apply to a new outsourcing destination as Kyrgyzstan, focusing on identifying the key factors of growth and experience of local companies, in terms of attractiveness for international investors.

Kyrgyzstan, a state in Central Asia, has a diverse economic profile that has been influenced by its geography, historical development and ongoing political reforms. As a lower-middle-income landlocked country, Kyrgyzstan faces various challenges and opportunities related to its natural resources, agricultural base and economic transformation process. With a GDP of approximately \$13.9 billion USD and a GDP per capita of 1969\$ USD, the Kyrgyz Republic stands out for its developed agricultural sector, expanding service sector, and natural resource extraction, especially mining. The country's economy is experiencing moderate growth and a significant shift from a predominantly agricultural model to a more diversified one that includes services and manufacturing sectors (World Bank, 2023). The economic structure of Kyrgyzstan is multifactorial and includes important contributions from the agricultural, industrial and service sectors. The agricultural sector, which plays a historically significant role in the country's

economy. With the major percentage, about 40% of the country's workforce, is the agriculture sector in Kyrgyzstan, contributing 14% to total GDP. Kyrgyzstan is making reforms and privatization to support local and international investors for industrial development. The industrial sector of Kyrgyzstan is actively developing due to significant activity in the mining industry, in particular in gold mining, which has a significant impact on the country's economy (Trade.gov, 2023). The mining sector is central to the Kyrgyz economy and is a major area for exports and American investment in the country. The services sector, covering financial services, telecommunications and tourism, continues to grow and already accounts for a significant share of the country's GDP. The main partners in trade are Kazakhstan, Russia and Uzbekistan, mostly by the export of goods such as refined oil and gold. Additionally, the country imports other steel and metal products, which contributes to its special place in the world trading system (World Bank, 2023). The services sector, including tourism, has bright potential for development. Beautiful nature and rich Nomadic culture in the heart of Central Asia and Great Silk Road make Kyrgyzstan an attractive destination for tourism, especially eco-tourism. Kyrgyzstan faces a range of economic challenges from both internal and external factors, including dependence on remittances, the need for economic diversification, and the impact of political instability on investor confidence. The government, in collaboration with international partners such as the Asian Development Bank, is developing strategies to achieve inclusive economic growth, improve the quality of public services and use regional cooperation to promote economic development (Asian Development Bank, 2022).

One of the main economic challenges for Kyrgyz economy is its big dependence on the agricultural industry, which is the key problem to both internal inefficiencies and changes in international markets. Despite the natural resources, including gold, minerals, agriculture industry continues to be the most important sector, where more than a third of the workforce is employed. This dependence highlights the critical need to diversify and develop other sectors of the economy to enhance economic stability (CABAR.asia, 2023). For this reason, most educated and certified specialists emigrate in search of work in their specialty and a decent salary. Based on the economic situation, Kyrgyzstan needs large-scale industrialization in the coming decades. Moreover, this year alone over 100 factories and enterprises were launched, most of which were financed by foreign investors. Kyrgyzstan's economic growth till September 2024 is 8.1%, which is the best result in the CIS countries (Commonwealth of Independent States) (Alatoo24, 2024).



Against the backdrop of industrialization and attracting investments, the outsourcing industry has enormous potential for both the country and investors. This is a new opportunity for the country and the Central Asian region.

## **2. METHODOLOGY**

The study uses information from international reports, business journals, websites and academic research on international experience. Primary data is collected from interviews with companies providing outsourcing services located in Kyrgyzstan. Secondary data is collected from government sources like the Ministry of Economy of Kyrgyzstan, National Investment Agency under the President of the Kyrgyz Republic, Development funds and investments, World Bank, Asian Development Bank publications and International Association of Outsourcing Professionals (IAOP). The sources provide important data on the outsourcing industry, economic contribution, investment promotion policies. The methodological framework aims to give a comprehensive and complex understanding of the outsourcing industry's growth dynamics, size and advantages, linked with the collected data. This data is used to analyze trends in outsourcing growth, investment opportunities and its contribution in the economy. The research geographic scope is related to Kyrgyzstan, with a comparison and analysis of the main international players in the global outsourcing industry, their market, size, revenue and services. Analyses recent trends of the period between 2000 to 2024, worldwide and government policies, and the impact of remote outsource industries. This period allows for an examination of the significant effects policy changes and advancements on the outsourcing services. I plan to do a detailed analysis of the growth of potential outsourcing services in Kyrgyzstan, including available insights from primary data and with general trends and patterns found in the secondary data. With this synthesis i plan to understand the outsourcing industry and how it could be applicable to Kyrgyzstan. The study aims to uncover the underwater stones and challenges of the outsourcing industry, carefully linking two main data sources. The methodological approach involves trend analysis and policy impact assessment, offering a temporal perspective that highlights the effects of significant changes on the outsourcing sector and investment challenges. This comprehensive

approach ensures that the research not only maps the current landscape but also charts potential future investment opportunities in Kyrgyzstan.

## **2.1 Literature Review**

The growth potential of outsourcing services in Kyrgyzstan have been shaping the country's economy and creating new employment opportunities. This literature review synthesizes insights from various reports, academic research, and articles to explore the factors of the growth of the outsourcing market in Kyrgyzstan, their contribution to the digital economy and investment landscape, the opportunities and challenges for foreign investors. An important aspect of outsourcing services growth is government support through promotion policies and initiatives aimed to increase entrepreneurship, reduce entry barriers, and enhance competitiveness. Additionally, with the development of the new technology, internet and remote jobs, it significantly affects the growth of the outsourcing market, building better market access and operational efficiencies (csvnow.com, 2024). These reports outline the governmental initiatives and policy measures aimed at supporting the outsourcing sector's growth, especially after Covid-2019. The significant contribution of the outsourcing industry to the main country player's GDP, employment. Opening new job places, high income and minimizing emigration are excellent factors of outsource oriented companies for the country's strategy on the way of an economic development. Governmental programs and initiatives such as State Private Enterprise (SPE), National Investment Agency under the President of the Kyrgyz Republic, Entrepreneurship Support Center (ESC) are instrumental to simplify investment processes and show the government's vector and interest. In 2022, the Government adopted a program for quickly attracting investments until 2026 (Investment Attraction Program to the Kyrgyz Republic for 2022–2026) where in details described the facilitating processes and support from the state, with full or partial tax exemption and conditions for companies to qualify for the program. State support for the opening of the Park of Creative Industries of Kyrgyzstan and the High Technology Park of the Kyrgyz Republic, where the best conditions and low taxes are provided for representatives of the outsourcing services, gives confidence in the great prospects of this industry with opening new job places and increasing the income. Additionally, analysis of the experience of companies in various areas such as IT, animation, logistics and accounting. About their experience, real profits, prospects and difficulties in practice in this industry. Job creation process, number of international companies and investors, detailed understanding of outsourcing

services in experience, especially after the Covid-19. In conclusion, the literature highlights the complex role of outsourcing services in Kyrgyzstan being a part of the economic growth and employment and potential reference point for foreign investors. While opportunities and challenges, the industry's future, supported by governmental and private market initiatives, opens the way to a promising growth in the industry of outsourcing services.

## **2.2 Hypothesis**

The main hypothesis of this thesis is that Kyrgyzstan's strategic location, young and skilled workforce, and supportive government policies significantly increases its potential as an emerging outsourcing destination. These factors are expected to contribute to increased job opportunities, higher income levels for educated laborers, and a decreasing of labor migration by creating attractive local job opportunities. To check this hypothesis, the research addresses the central question: What is the growth potential of the outsourcing services industry in Kyrgyzstan, and how does it compare to established outsourcing hubs globally? To answer this question, the study investigates several sub-questions. First, it studies the factors that make Kyrgyzstan an attractive destination for foreign investors in the outsourcing industry, including cost advantages, government incentives, and workforce capabilities. Second, the research explores how the growth of the outsourcing sector impacts job creation and income opportunities for educated laborers, focusing on its potential to decrease unemployment and reduce emigration. Third, it identifies the challenges foreign investors face when entering the Kyrgyz outsourcing market, such as regulatory and infrastructure barriers. Furthermore, the study analyzes how Kyrgyzstan's outsourcing industry compares to leading global hubs like India, the Philippines, and Poland in terms of cost, quality, and scalability. Finally, it investigates the impact of the Covid-19 pandemic on the growth and transformation of Kyrgyzstan's outsourcing sector, considering how global shifts in remote work have created new opportunities for the country. By addressing these questions, this thesis aims to provide a detailed understanding of the opportunities and challenges facing Kyrgyzstan's outsourcing industry and assess its potential to emerge as a competitive player in the global market.

## **2.3 Theoretical Basis**

Outsourcing services as job creation, innovation with decreasing emigration is the engine of economic growth. The framework emphasizes the industry's future, job creating role, access to

higher income, low taxes, market's dynamic nature, governmental policies and initiatives as key factors of outsourcing market success within this theoretical perspective.

- Investment Theory: Examining the factors that impact decisions for investors, insights for Kyrgyzstan to be the foreign investment attractiveness destination, including financial, social, or intellectual capital.
- Comparative Advantage Theory: Exploring the factors that made the industry's main player countries successful outsourcing hubs, such as low labor costs, skilled workforce, and government policies. Suggestion that Kyrgyzstan should focus on the outsourcing industry where it has a relative advantage over others.
- Institutional Theory: Analyzing the organizational structures, cultural norms, and government policies and how all affect industry development. Studying how policies, infrastructure, and initiatives contributed to the growth of outsourcing in the other countries, what institutional structures Kyrgyzstan might need to cultivate a competitive outsourcing industry.
- Human Capital Theory: Understanding that outsourcing relies heavily on skilled labor, since it is relevant to workforce development. The theory supports discussions on investing in education and training to meet industry needs in Kyrgyzstan, following the examples set by other countries.
- Economic Development Theory: Focusing on strategies that governments use to stimulate economic growth, reduce poverty, increase employment and decrease emigration. Analyzing how government actions like tax incentives, grants, and investment-friendly policies can attract foreign investors, which in turn can generate jobs and increase tax revenue.

Summarizing, the theories integrate insights from industry's main hub countries with the theory of investments to a promising new industry in Kyrgyzstan, highlighting the opportunities and challenges for foreign investors in comparison with the experience of the existing local companies in Kyrgyzstan providing outsourcing service to the developed countries.

## **2.4 Research Objective**

The primary objective of the research is to analyze the growth potential and factors of the outsourcing services market in Kyrgyzstan and examine industry's impact on educated laborers

linking to income opportunities for foreign investors. Finding the main factors that contribute to the success of outsource based companies is the goal of this study, including government promotion policies, market players, international main hubs. Additionally, the study aims to analyze how the growth and development of outsourcing services industry participates and makes a contribution on job place creation, decreasing emigration, increasing income and promoting the possible investments under the economic objectives. This research will apply a combination of qualitative and quantitative research methods, sketching on primary data by survey and interviews with outsourcing services companies and market experts and specialists, including secondary data from government policies, reports, business journals and international industry research. This study aimed to build general understanding of the opportunities and challenges the foreign investors could face in Kyrgyzstan. This research's main geographical country is Kyrgyzstan, in comparison with other outsourcing services main country hubs, such as India, Philippines, Poland and USA. The study aims to compare the outsourcing industry with other industries in Kyrgyzstan, analyzing the advantages in financial and social perspectives. It focuses on the period after 1990th with a development of globalization till 2024, including the game changer period as Covid-19 pandemic, which was a new stage of remote services.

### **3. OUTSOURCING: DEFINITION AND SCOPE**

Outsourcing is the practice in the business process when the company or corporation delegates some operations or jobs to third-party organizations. This might include everything from component production to customer service management, IT operations, and other specific service. The main aim of outsourcing services is basically to decrease expenses, increase efficiency, and to concentrate on the company's main activities and goals (Lacity & Hirschheim, 1993).

The scope of the outsourcing extends several business tasks and markets. These new markets for outsourcing services categories into three areas. Business Process Outsourcing (BPO), Information Technology Outsourcing (ITO), Knowledge Process Outsourcing (KPO). The scope of the outsourcing extends several business tasks and markets. All types of outsourcing services require different business functions, starting with the basic operational tasks to the complex main key processes. With the development of globalization outsourcing has expanded to include

activities that call for specific expertise and knowledge, such data analysis and software development (Willcocks, L., & Lacity, M., 2006).

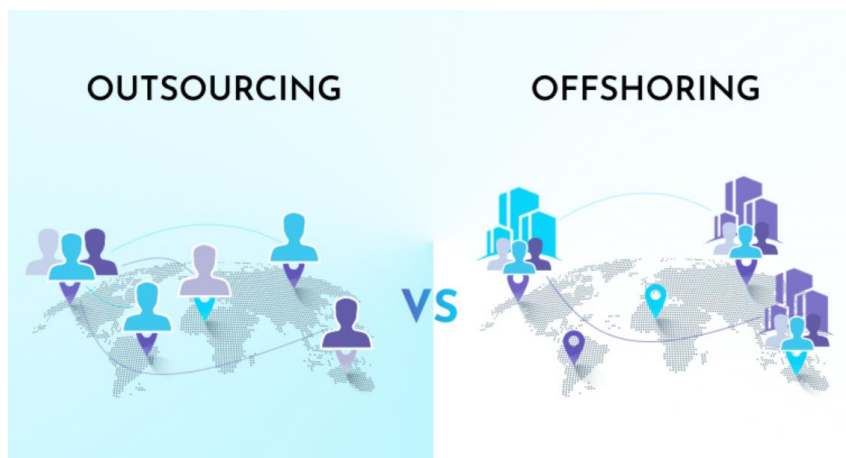
Outsourcing arrangements can be different in terms of structure and duration period. Common forms consist of:

**Offshoring:** The most common type of outsourcing services is offshoring, which is a business agreement with another company which is located in a different country, delegating the work and tasks. Outsourcing tasks to companies in other countries with lower labor costs (Doh, 2009). For example, a corporation outsourcing the customer service support to the Philippines, by opening call centers. Or closing manufacturing companies outsources the production to India or Bangladesh.

**Nearshoring:** This is similar to offshoring, but Instead of signing an agreement with another country, the corporations deal with neighboring countries. Transferring tasks to neighboring countries, often to balance cost savings with proximity (Wilson, 2010).

**Onshore Outsourcing:** Engaging external service providers within the same country to gain expertise and reduce internal load (Bradley, & Hamel, 1992).

Figure 1. Difference between outsourcing and offshoring



Source: *Certified Developers, 2024*

In this research outsourcing implied to remote jobs, services delegated to specialists located abroad could be without relocating offices or factories. In this scope outsourcing is quite different from the general understanding of offshoring as in Figure 1. Outsourcing aims to

reduce the expenses, however in offshoring experience relocation, buying or building offices and factories could increase the cost.

Figure. 2 Key goals and values of outsourcing and offshoring

Outsourcing	Offshoring
Relocation of business processes to a different country	Relocation of business processes within a country or between organizations
Priority should be given to cost reduction.	Concentrate solely on core business activities.
aims to relocate activities or offices	Attempts to delegate operation to a third party
Employees of the organization carry out the functions.	Non-employees carry out functions.
Offshoring is only done on a global scale.	Outsourcing, on the other hand, can be done both locally and internationally.

Source: *Certified Developers, 2024*

There are positive and negative aspects of outsourcing and offshoring. The study’s aim is to describe the exact meaning of outsourcing examined in this research. Outsourcing is delegating the business processes to a different country, which can be managed remotely, online. On the other hand, offshoring outsourcing requires physical relocation of some services and tasks, such as building operational offices of factories to produce components and parts. In outsourcing the main aim is to reduce the cost, while in offshoring co-managing the organization and controlling the process is much more important than just reducing the expenses. Outsourcing aims to relocate activities or office processes, meanwhile the offshoring attempts to give the operations to the third-party organization. In general outsourcing aims to reduce cost, minimize the responsibilities and attempt the operations and activities to another country and specialists, to concentrate on the main goals of the organization.

#### 4. GLOBAL OUTSOURCING TRENDS AND EXPERIENCE

With the development of high technology, globalization and outsourcing is staged at a new level over the past decades and has become a strategic solution for businesses aiming operational productivity, reducing cost, and having a high quality service. Generally, the main goal is cost

reduction and has several functions, such as Informational Technology (IT), Business Process Outsourcing (BPT) and Knowledge Process Outsourcing (KPO). Market has started a new level in 2000, and has significant change after the pandemic Covid-19. Most research analysts predict the global outsourcing business process revenue to be close to 500\$ billion USD by 2029.

Figure 3. Business Process Outsourcing Revenue worldwide



Source: *Abtosoftware, June 2021*

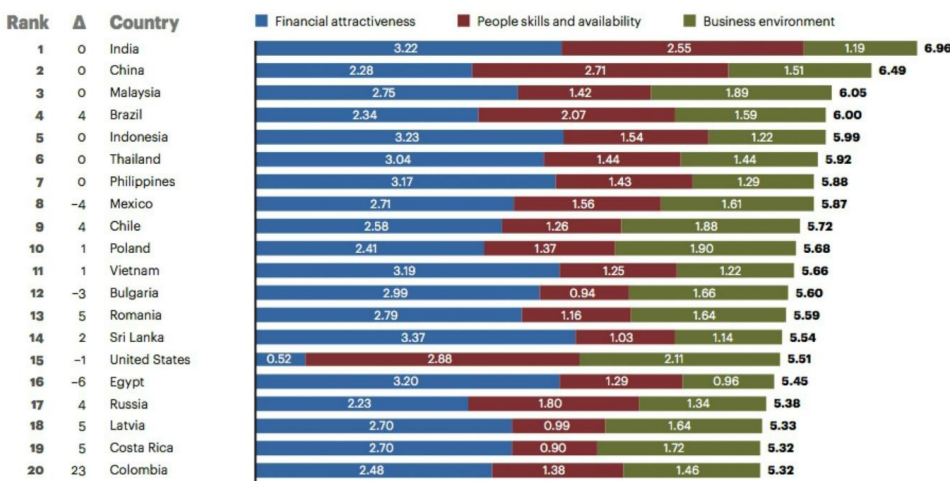
In Figure 3 we can see the analyses based on its research of IT specialized companies. They were predicting 359,5\$ billion USD in 2024, and it was really close. According to Statista, the global value of the industry in 2024 will reach 390\$ billion USD. Revenue is expected to show a yearly growth rate between 2024-2029 of 4.67%, resulting in a market volume of 490\$ billion USD by 2029 (Statista, 2024). On the other hand, according to Research and Market forecasts, the expected value by 2026 is 425\$ billion USD. All the predictions, although they are different, agree on one thing: the market will certainly grow. And it is a game changing industry with new opportunities.

One of the important trends in global outsourcing is the changing the values of the process from cost reduction to quality and knowledge required function. As a business task solving function, outsourcing developing not only as call centers or online support, but also modified as high values activities, such as data analysts, machinery learning and innovation supporting (Deloitte, 2022) Therefore, Knowledge Process Outsourcing (KPO) shows stable growth, even though highly educated specialists with complex services such as financial analysis, legal services, and high technology drivers. (Willcocks, 2017)



Another important trend in the industry is digital development, which has affected the market's transformation. Companies started to use cloud services, AI, and automation systems to increase the efficiency of tasks solving productivity. Market players are expecting this transformation which will shape the traditional outsourcing services. And the important stage was Covid-19 pandemic, when it increased the remote job demand and flexibility. After the Covid-19 most companies were allowed to have a talented specialist globally without their physical relocation (Gartner, 2023).

Figure 4. Top countries for business process outsourcing



Source: A.T. Kearny Global Services Index, 2016

Some regions play main roles in a global outsourcing industry, offering specialized services and solutions. It depends on the economic infrastructure of countries, education, especially level of English communication, including financial attractiveness, people skills and availability and business environment. India is the biggest outsourcing game player, especially in Business Process Outsourcing (BPO) and Information Technology (IT) with a significant market share. The total countries revenue in IT and BPO in 2022 was 227\$ billion USD, most of this share was export based international outsourced. (NASSCOM, 2023). The other outsourcing hub is the Philippines, specialized in call centers, customer support, telemarketing and online education. This type of services classifies as the voice-based BPO services. Philippines revenue in 2022 was close to 29\$ billion USD, creating job places for more than 1.5 million people. (Philippine Statistics Authority, 2023). Philippines strong historic - cultural relations with the Western

countries, high English level knowledge created significant possibilities in the industry, providing services to USA, Canada and England based clients. (KPMG, 2023).

Emerging regional countries like Bangladesh, Pakistan, Vietnam in Asia, Brazil, Argentine, Chile in South America, and Eastern European countries such as Poland, Romania and Ukraine (Before 2022) are also actively joining in the outsourcing landscape. Established as a cost-effective alternative, have captured market share by focusing on high-value, knowledge-intensive services. (Eurostat, 2023)

#### **4.1 India**

The biggest share of outsourcing services in India is Information Technology (IT). Country also known globally in the industry for the professional services at BPO and KPO (Knowledge Process Outsourcing). Outsourcing services is one the main industries in India's economy. India has an outsourcing market of approximately 55% of global share. Which makes India world's biggest outsourcing destination. Outsourcing industry in India is growing with a stable result and over years has become one of the best task solution markets. (Pallavi Das, Deloitte. 2022). The results which India shows on the outsourcing market put the country in an important place for major players with biggest companies specialized in outsourcing services are Tata Consultancy Services, Infosys and Wipro. By the end of 2021 the outsourcing industry in India involved over 4.5 million employers. With the expectation of global market growth, the number of involved workers will continue to increase. (McKinsey, 2023). In Figure 4 we can see that India has the leading place among other countries. Previously i mentioned that all indexes and research expect significant growth of the industry globally. Therefore, according to the Ministry of Economy of India expecting the outsourcing market growth to be over 7% till 2028. (Deloitte, 2023). Let's analyze what makes India so attractive to international corporations. In my opinion the big population, low salaries and the average English speaking population plays a critical role on India's industry shape. Competitive labor costs make India financially attractive to the Western developed countries. In comparison with Western states in IT services in India service cost is much cheaper, approximately less for 50% then United States or European Union. (Ernst & Young, 2022) Of course it will make key factors on decisions for low price oriented companies. Especially in high value markets such as software development, R&D, machine driving services India has a huge number of specialized skilled laborers with lower cost in comparison to other countries (Lacity & Willcocks, 2018). Each year in India 1 million engineering specialists

graduate. It is an advantage to have that much skilled workforce, especially in high technology and management (Ministry of Education, 2022). Moreover, India has a large English-speaking population. As a results Western companies are interested in this market.

India is continuously making regulatory reform, infrastructure development and initiatives to make a better climate for outsourcing industry. As a results in 2020 India took 63rd place worldwide on the Doing Business Index in comparison to 142nd place in 2014. (World Bank, 2021). It is a significant success to show such development in the short term. All these policies and initiatives made by the government aimed to promote foreign investment in the outsourcing industry. One of the important initiatives is Digital India, which is directed to change India into a digital economy and society. Also to improve digital infrastructure, increase online services and promote creative jobs. (Government of India, 2023). Another initiative with a slogan “Make in India” promotes tax cuts, simplified processes and minimal requirements for foreign investors. Also it promotes the increase of local production with international investments. It is a win-win situation for both investors and India. Moreover, the government organized Special Economic Zones (SEZ) and Software Technology Park (STPI) with low taxes, export preferences, and simplified processes for IT and digital oriented companies. (Patel, 2021).

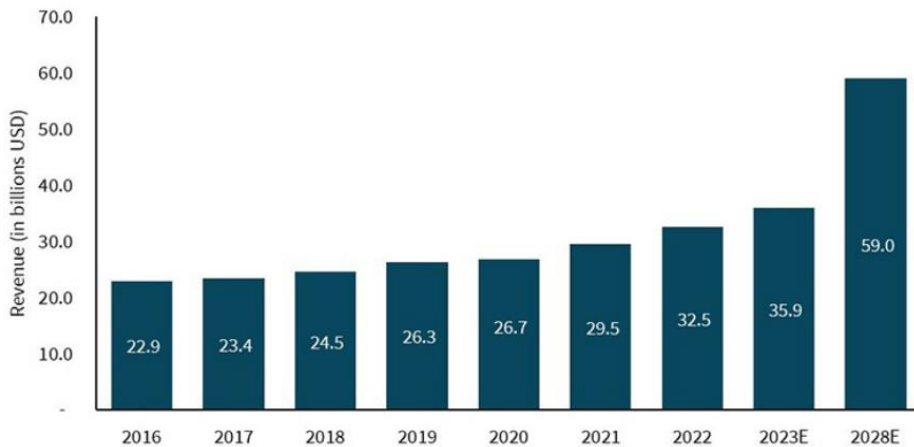
The Indian market and economy is being formed specifically for the outsourcing industry and promises a great future, linked with the growth of high technology services, machine learning, and cloud computing. The growth of the demand and the total value of the global outsourcing industry, expected that outsourcing services will reach a value of 400\$ billion USD by 2030 (Deloitte, 2023). India remains as the major player and locomotive in the global outsourcing market. It has a huge number of English speaking specialists, perfect government promotions and initiatives, which makes it a financially attractive destination for foreign inventors and corporations.

#### **4.1 Philippines**

With the revenue of 29\$ billion USD in 2022 the Philippines is one of the global leading outsourcing destinations. With competitive cost structure, strong knowledge of English and cultural link to England, established as a voice - oriented outsourcing destination. (D. Tality, June 2024). The Business Process Outsourcing (BPO) market is around 8% of the Philippine’s GDP and important to the country’s economy (Deloitte, 2023). In generally the Philippines are the destination for markets such as finance, digital support, online education, call centers, and the

media industry, which is concentrated in big main cities with developed infrastructure and technology such as Manila, Cebu, Davo, where major educated laborers with high English proficiency are concentrated. The Philippines is getting formed from voice based services to Knowledge Process Outsourcing (KPO), which include IT support and development, animation, which requires high digital technology and advanced clients. (McKinsey, 2023).

Figure 5. Philippine IT-BPO services industry revenue (2016-2028)



Source: *IT and Business Process Association of the Philippines (IBPAP)*

According to Business Process Association of the Philippines (IBPAP) by 2028 countries outsourcing revenue will reach 59\$ billion USD, however KPMG International Limited predicts that the market growth would be approximately 38\$ billion USD by 2028. Anyway both institutions predict stable growth of the industry. Like India, the Philippines is attractive to the foreign companies because of the low salaries, which helps to save approximately 60% on labor costs in comparison to Western countries. But in comparison, the Philippines interested more companies from the United States, Australia, and Western European countries, because of the high English knowledge of the population (Ernst & Young, 2022). English is one of the official languages in the Philippines and ranks high in English proficiency in comparison to other outsourcing destinations. The cost attractiveness additionally with a large number of skilled English speaking specialists in customer service and operational functions, established the Philippines as one of the best choices for the outsourcing market. The stability of the currency “peso” in comparison to other main currencies also makes positive waves for foreign corporations. Additionally, the apartment rent and food prices are competitively low, which

increases satisfaction and productivity of employers in the outsourcing industry (World Bank, 2021). Also, the country has a young and growing generation, with an average age of 25. It is important for entering the industry in finding a workforce. Education system in high institutions established in teaching programs with the skills required in Business Processes Outsourcing (Philippine Business for Education, 2023). Business environment has a lot of support with different policies and initiatives aiming for industry growth. One of them is the Philippine Economic Zone Authority (PEZA). PEZA provides tax incentives and support for outsourcing oriented companies, working in economic zones, who can access duty free products in the zone. It is one more thing, which attracts foreign investments. Additionally, the government provides the National Broadband Plan program to develop digital infrastructure. Program aims to improve internet access to the population and workforce in the whole country. The program is supportive and effective for promoting remote jobs. (PEZA, 2023). The important promotion is the “Invest in Philippines” program under the Board of Investment (BOI), which provides financial support and intensives, simplified regulations and registration of the business for foreign investors oriented in the outsourcing market (Board of Investments, 2023). Another policy is the “TRAIN Law” (Tax Reform for Acceleration and Inclusion) promoting tax cuts, financial initiatives and supporting companies' competitiveness in the market. Philippine Economic Zone Authority (PEZA) provides 6 years of income tax free for outsourcing services. Also, registered companies in PEZA pay less taxes on import-export procedures and make the set up processes easier. All this initiative allows for saving money for new entering foreign investors (PEZA, 2023). Additionally, to these policies The Department of Information and Communication Technology developed The Digital Cities 2025 program, aimed to develop growing outsourcing hubs of Manila. The program aims to support the capital city and create more work places across the Philippines. (DICT, 2023).

According to all sources the Philippines outsourcing market shows stable growth. Therefore, industry is supported by government initiatives and policies. Country has a young good English speaking skilled workforce. With future focused government support the industry will continue to grow and remain as a best destination for investors and outsourcing companies.

### 4.3 Poland

Central and Eastern European countries, including Poland have established themselves as a regional best outsourcing destination because of the location and its proximity to Western European developed countries. It is a perfect location in the same time zone with Western Europe and perfect time difference with the United States and Canada which allows real time communication. With high-quality specialists and comparatively low cost the region is attractive for outsourcing services (Deloitte, 2023). Central and Eastern European countries have well developed digital infrastructure and highly educated English speaking laborers, who are able to provide high quality services. Moreover, they are part of the European Union and have almost the same regulations and free movements.

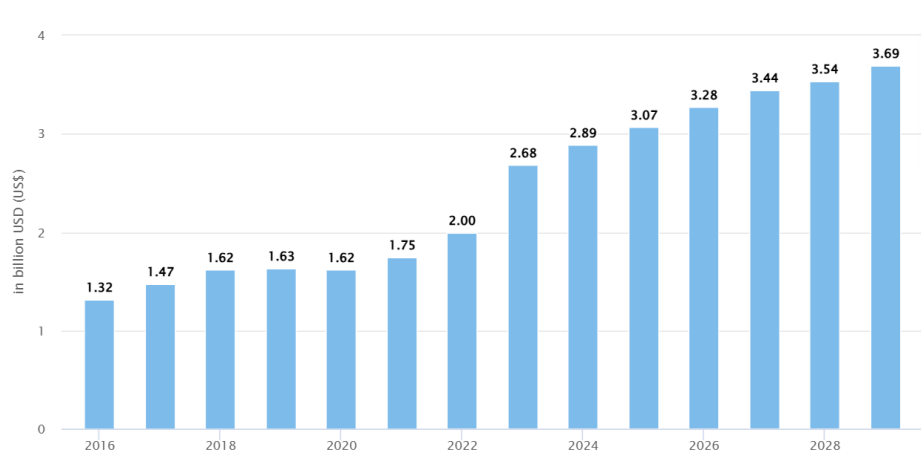
In comparison to traditional outsourcing hubs like India and the Philippines, Poland provides high quality task solving. India and the Philippines are established as low cost outsourcing destinations, high volume BPO services, particularly voice based support (Rene Mallari, 2024). Poland focuses more on high skill, knowledge outsourcing, such as software development, R&D, and consulting services. It is a famous outsourcing destination because of its cultural link, similarity and comfortable time zone for Western clients, even though the labor cost is higher than in India and Philippines. Located in the heart of Europe, Poland is particularly attractive for neo-shoring, whose priorities are technical expertise, high quality and better collaboration with the common culture and neighborhood. (KPMG, 2023).

Outsourcing industry in Poland shows stable growth as well, with the increasing demand from North America and Western Europe. The salary difference helps foreign companies to reach well-skilled professionals in comparison to Germany, UK or France. Also Poland shows economic stability as a part of the European Union(EU), which will guarantee the financial safety for the foreign clients. (McKinsey, 2023). The industry's revenue was approximately 12\$ billion USD in 2022, and is expected to show yearly growth of 6% to 8% till 2028. (Statista, 2023). I decided to show the example of Poland, based on the country's location at the crossroads of European countries, the country's area and population. In my opinion in comparison to other neighboring counties, Poland has an excellent location and a large population of 36.6 million people (Statista, 2024). This allows to find a large number of highly qualified workers.

The Polish government also promotes incentives for foreign investment in the outsourcing market. The country organized a special economic zone, the Polish Investment Zone, which

promotes low taxes, grants investing in Poland, especially in the outsourcing industry. The program provides tax free till 15 years for companies based in PIZ, which helps to decrease expenses for investors. (PIZ) The outsourcing market in Poland is also actively developing and expected to continue growing. In the Figure. 6 is the revenue of BPO services, we can see that it shows rapid growth each year and could reach 3.7\$ billion USD by 2028, meanwhile total outsourcing market's revenue in Poland is expected to reach 18\$ billion USD by the same period. (Statista, 2023).

Figure 6. Revenue in the Business Process Outsourcing (BPO) in Poland



Source: Statista, April 2024

Poland is globally established as a competitive outsourcing destination with valuable advantages in business operations and cost efficiency, with high quality task solving services provided by well - educated professionals. On the other hand, industry has support from the Polish government, which promotes different initiatives and policies, which makes the country attractive for the foreign investors and companies. As a part Eastern Europe country, continues to improve its technical foundation as an outsourcing oriented economy to make it better for foreign corporations.

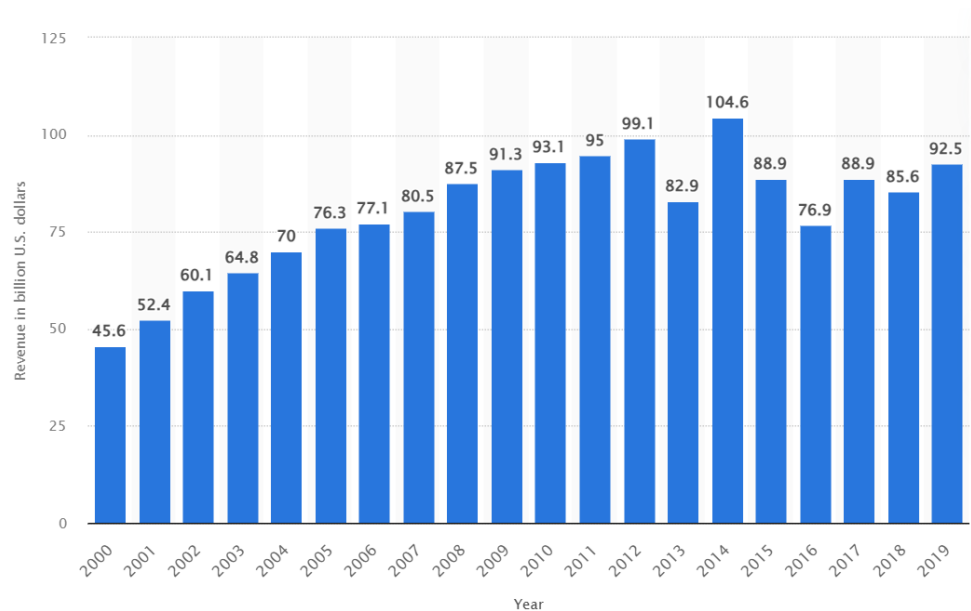
#### 4.4 Impact of Covid-19

The game changing period for the outsourcing industry was the Covid-19 pandemic. It made a significant effect on the global formation of the outsourcing market. Before the pandemic outsourcing industry mostly was cost oriented. After the pandemic corporation owners in practice learned that remote works are more flexible since tasks are completed and decreasing cost as well. When lockdowns and limited access on traveling negatively affected the global business

processes, corporations worldwide realized to emphasize on continuous remote solutions. Per my personal experience, even though I worked remotely, all our operations in the USA totally transformed to remote solutions. The transformation started with digital adoption to improve new outsourcing models, which support remote jobs and digital services. At the start of the pandemic the outsourcing industry had difficulties it had never faced before. Workforce limitation, increasing the operational cost caused by the lockdowns, which was everywhere from Asia to Europe, pushed the corporations to quickly adapt to remote task solutions and prepare infrastructure. (Deloitte, 2021). This struggle forced companies to realize in practice the power of flexible, digitally oriented remote jobs. For an example in my logistics industry security guards of the facilities were checking the upcoming trucks in person and letting them in and out. Starting from Covid-10 pandemic facilities adapt for online digital check in and out. Another example, a technical support employee of our company Azamat Asanaliev used to work from the main office in the USA. After the pandemic he started to work remotely with a rule of 1 day in a week in the office. Healthcare production industry, IT, customer support and consulting offices turned to the outsourced market to operate customer requests. Outsource oriented companies in Eastern Europe and South East Asia also had an experience of growing demand for customer support, digital remote services, back office operations, which shows significant change in the outsourcing industry (McKinsey, 2022). The global outsourcing industry faced a booming increase of revenue, when companies started to transform cost safe solutions to operate remote jobs. According to Figure 7 the global outsourcing industry revenue in 2019 was 92.5 billion USD. While the same source, Statista, provided revenue for 2023 around 370\$ billion USD.

Figure 7. Global market size of outsourced services from 2000 to 2019





Source: Statista, May 2024

In Figure 7. we can see the development of the global outsourcing industry till Covid-19 from 2000 to 2019. Until 2012 it showed stable growth. Between 2009 and 2019 with periodic increases and decreases of the revenue the average revenue in 10 years was approximately the same around 90\$ billion USD. So the pandemic has changed the industry. It significantly jumped from 92\$ billion to expected 390\$ billion USD in 2024, so in just 4 years the global outsourcing industry increased around 400%. Rates could be different, because it changes according to institutions, however i used the same source, Statista, to analysis. Anyway, it is enough to understand how significantly the market of outsourcing services has transformed. The Amazon, USA e-commerce corporation continued their customer support outsourcing, showing the growth in wealth for outsourcing laborers (Forbes, 2021). Jack Bezos, the CEO of Amazon, has significantly increased his wealth between 2019 and 2021. In 2019 his wealth was estimated at 114\$ billion USD, completely to 2021 when his net worth becomes approximately 213\$ billion USD (Sahib Preet Singh, 2023), (Scott Carpenter, Bloomberg, 2021). Which shows the significant growth of online services and e-commerce. As in the USA, in Europe and Asia the outsourcing industry, especially call centers and customer support services, increased in sizes and revenues because Western corporations started to develop remote operations (KPMG, 2022). Covid-19 changed traditional shift works to flexible visit the offices. Many companies practice the hybrid model of work, when employees have a chance to work from home or remote locations. It reduces the operational cost for companies, because many companies rent the offices

and they are transforming to remote operations to cut expenses, additionally it improves flexibility of workers. Under this wave Tata Consultancy Services (TCS), the largest Information Technology Outsourcing company in India, is planning by 2025 to transfer 75% of employees to remote work (TCS, 2021).

After the Covid-19 in all regions promoted many policies and initiatives to support outsourcing services. In India the government invested around 10\$ billion USD to improve internet accessibility and providers to the main outsourcing destinations. (GOI, 2022). The European Union governments started to transform their legal regulations according to increasing outsourcing services to protect their data privacy. For example, the General Data Protection Regulation (GDPR), which aims to protect the digital data of European companies with detailed contracts with third-party outsourced oriented companies (GDPR, 201). Covid-19 increased the speed of transformation to digital operations and forced companies worldwide to educate the skilled workers. Philippines and Poland developed programs aimed to educate their laborers for high-demand markets like cybersecurity and data science (PEZA, 2022).

As we learned Covid-19 pandemic significantly changed and transformed the industry, with most corporations aiming for digital and remote solutions. Industry increased in size and revenue, which attracts more workforce and investors worldwide. As we see on Figures and examples from all parts of the world, including USA, Europe and Eastern Asia, the outsourcing services industry transformed from low cost solving services to a more flexible, digital oriented industry. The growth of the industry in all regions also affected the discovery and exploration of the new destinations and one of them i believe is Kyrgyzstan.

## **5. ANALYSIS OF THE CURRENT STATE OF OUTSOURCING SERVICES IN KYRGYZSTAN**

I chose to analyze the outsourcing, industry of Kyrgyzstan because there are no open detailed sources for the industry and no one has studied the market academically. Information about the outsourcing market in Kyrgyzstan is at the stage of small interviews on social networks and brochures of some associations linked to the industry, although certain areas of the industry began their activities in the early 2000s. Information about some outsourcing services was noticed in the news, some were stated by the owners of companies providing outsourcing services themselves on social networks. But in general, the business and economic environment

knows and is aware that in Kyrgyzstan there are many companies providing outsourcing services worldwide. I got interviews with various industry representatives and collected information that is available in open sources. Additionally, based on my personal experience and observation, I analyzed the market. I hope the study will serve as a foundation for the next generation, who will decide to do the research on the outsourcing industry in Kyrgyzstan and will be useful for interested parties.

Kyrgyzstan is an unknown country for the outsourcing industry. The market is at the initial stage of development. There are many companies providing Information Technology (IT), Business Process Outsourcing (BPO) and Knowledge Process Outsourcing (KPO) in areas such as accounting, IT, consulting, logistics, call centers, digital animation, media, online education, film editing. According to interviews with Kozhaliev Erkinbek, the chairman of the KAADLS (Kyrgyz American Association for the Development of Logistics Services), Daniar Amanaliev the chairman of the Park of Creative Industries, Azis Abakirov the founder of the High Technology Park in Kyrgyzstan operate around 2000 companies providing outsourcing services, however they are predicting it by the number of members of the Special Parks and associations. The exact number of outsourcing companies in Kyrgyzstan is estimated to be more than 2000. Because in the experience of Kyrgyzstan since the Independence in 1991 around 1 million citizens migrated for job seeking and some of them returned to Kyrgyzstan and established companies to start providing outsourcing services for their international companies, mostly from Russia, South Korea, United States and European Union market companies. Most of them don't register in Special Parks and are not members of the associations. (A. Abakirov, 2024)

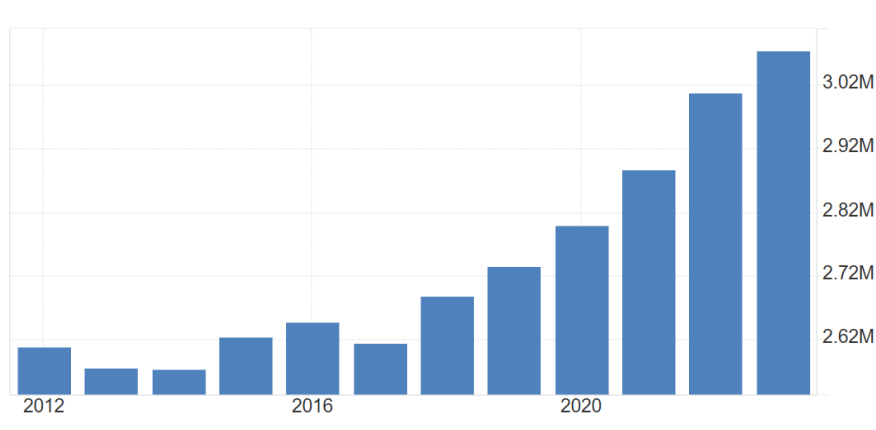
One of the first outsourced based companies in Kyrgyzstan was Unique Technologies, established in 2003, which provides IT services. According to Azis Abakirov, the future founder of High Technology Park in Bishkek, Kyrgyzstan, he and his friend Maxim Shmelev founded the company. Azis was studying in Japan and needed to earn money for his tuition and expenses he started to offer to Japanese companies the outsourcing solutions for cheaper prices. The small entrepreneurship started like that, he was finding orders from Japan, the team in Bishkek were completing tasks and they started to earn money from the cost difference. At that period in Kyrgyzstan monthly average salary was 35\$ USD (Akipress, 2005) in Japan it was around 4200\$ USD (Statista, July 2024) and it was a significant difference and a great opportunity for the young entrepreneurs. By 2008 in Bishkek there were around 30 companies, including Unique

Technologies (A. Abakirov, 2024) providing outsourcing services in IT and they organized Kyrgyz Association of Software and Services Developers with a mission “We do not have oil, gas and access to the sea, but we have talented people and beautiful nature and inspiration, and the Internet has become our sea, our ocean of opportunities.” In 2011 Azis Abakirov and like-minded people promoted the idea of creating a High Technology Park and asked the government for preferences on taxes. At that time even Kyrgyzstan's government didn't believe that it was possible to operate the software and services development for export, because of neighboring global huge countries such as China, Russia and India. But the first entrepreneurs, who paved the way through the practice of the outsourcing industry believed in the future of the industry in Kyrgyzstan and founded the High Technology Park. The first year revenue was 1.3\$ million USD, in 2015 2.1\$ million USD, in 2016 4\$ million USD, in 2017 8.4\$ million USD and in 2018 10.3\$ million USD and with an average salary per month of 1400\$ and revenue 48\$ million USD in 2023 (A. Abakirov, 2024). These is how opportunities for an entire industry in Kyrgyzstan emerged from simple student earnings, creating the reality that it is possible and necessary to work with the whole world living in Kyrgyzstan. Additionally, the outsourcing industry is a huge contribution for the Economy of Kyrgyzstan.

### 5.1 General Market Overview

While the outsourcing market is at the initial stage of development, the employment market consists of various other industries. We will make a study at the general overview of the labor market, different industries and how outsourcing services will develop against their background.

Figure 8. Labor force in Kyrgyzstan 2012-2023



Source: *World Bank, 2023*

In Figure 8 we can see how the labor force significantly increases after 2018. This is also due to the fact that Kyrgyzstan has a very young population. In 2023 the labor force in Kyrgyzstan was 3,028,644 people and reached a historical maximum (World Bank, 2023). Providing jobs for everyone is another challenge for the economy of Kyrgyzstan.

Kyrgyzstan's key industries are agriculture, mining, trade, manufacturing and urban services. The agricultural market plays a very important role in the country's economy and 40% of the workforce of Kyrgyzstan contributes in this industry. Despite its significant contribution to the economy, the sector is not very profitable and limits the country's development potential and accounts for only 14% of GDP and needs modernization (Trade.gov, 2023). The agricultural sector has a problem because of old practices and infrastructure, which limits productivity. The average price of a simple worker in the industry varies depending on the type of work and is between 5\$-10\$ USD per day (Abdiev, 2024), average monthly worth is 190\$ (stat.gov.kg, 2024). The driving force of the economy is the mining industry. Mining industry in Kyrgyzstan, especially gold mining, plays a significant role in a contribution to the economy and has the highest salaries. The average worth per month is 540\$ and is the highest paid industry (stat.gov.kg, 2023). However, the industry employs very limited workers, only 11,992 people (stat.gov.kg, 2023). The manufacturing industry generally established the biggest cities Bishkek and Osh, mostly focused on textiles, light industrial products, food and beverages. Manufacturing industry is labor-intensive, providing employment to 136,000 people, for skilled and partly skilled laborers with the average salary of 477\$ USD (Tazabek, 2023). With Kyrgyzstan's integration into the Eurasian Economic Union (EAEU) increased potential and investment promotions for manufacturing industries, to optimize trade to the market with 448,4 million people (interfax.ru, 2023). The energy sector employed 14,721 people with an average monthly worth of 375\$ USD (stat.gov.kg, 2023). Energy sector, especially hydropower, is the main source and plays an important role in the economy of Kyrgyzstan and the country has 30% of hydropower resources of all of Central Asia (Alisherov, 2022).

The industries listed above are the most important and highly paid professions in Kyrgyzstan. I wanted to show the difference with potential earnings in the outsourcing industry. Of course, there exist highly paid jobs in Kyrgyzstan. There are a lot of vacancies on the employment.kg website from 700\$ USD to 1200\$ USD. But these vacancies are also provided by international corporations, international organizations or non-governmental organizations, which is also an

example of the relocation or offshoring. In the outsourcing industry, both workers and foreign investors can earn money due to the large difference in salaries with developed countries. Especially in Kyrgyzstan where 40% of 3 million people work in the agriculture industry and 876,883 people have immigrated to work abroad (IOM, 2023) creating new job opportunities and making profit is a win-win solution for both sides as a social care business. The country's workforce needs new opportunities, by training and applying international experience it is possible to create excellent conditions in Kyrgyzstan.

## **5.2 Outsourcing Sector Performance**

In 2021 the revenue of the High Technology Park increased by 80% in comparison to the pre-pandemic period and became 30\$ million USD (A. Abakirov, 2024) As we see the Covid-19 has a positive influence also in Kyrgyzstan as worldwide. Abakirov has a plan and predicts that by 2030 Kyrgyzstan will have around 50,000 IT specialists and revenue would be 1\$ billion USD. In addition to IT outsourcing, dispatch services, the outsourcing in logistics to the US market is actively developing in Kyrgyzstan. I have been working in this market since May, 2019. In my personal experience in the Covid-19 period in logistics outsourcing our income increased around 120%. The reason was that many drivers in the United States quitted their jobs and decided to stay at home because of health and safety. But the demand for products, medicine and clothes didn't decrease. So the demand affected the operational cost of logistics and prices increased significantly. According to Kozhaliev Erkinbek, the chairman of the KAADLS (Kyrgyz American Association for the Development of Logistics Services) in Kyrgyzstan operates around 300 companies in logistics outsourcing and it is the significant development, since the first companies started to operate in Kyrgyzstan in 2017-18. The annual average salary in logistics outsourcing in Kyrgyzstan is around 1200\$, in comparison to the general average salary in Kyrgyzstan, which is 350\$ USD in 2023 (stat.gov.kg, 2024). It is a great opportunity for the job seeker. Market is increasing and has a huge future. According to the Department of the Transportation (DOT) of USA in the United States nowadays there are 3.5 million truck drivers, which means around 5 million operating trucks exist and the US industry also needs 100,000 more drivers to cover the demand of the market, moreover the 70% of the supply chain logistics are operating through trucks. (DOT, 2023) Which means the truck dispatch industry has a stable future. In comparison to the USA monthly average salary of 6000\$ USD, in Kyrgyzstan the

operation cost 5 times cheaper. So the logistics outsourcing industry has significant opportunities and a future. Kyrgyz dispatchers operate around 3000 trucks in the USA, that means with an average operational cost and gross rates in Kyrgyzstan annual revenue of the logistics outsourcing are 21\$ million USD, only with remote voice-based outsourcing. (Kozhaliev. E). This is a huge contribution to the Economy of Kyrgyzstan.

One of the biggest players in the outsourcing market in Kyrgyzstan is accounting outsourcing. According to Kanyshai Sadyrbekova, Managing Director in Deloitte Kyrgyzstan, the first outsourcing services were in the accounting market. The industry started to operate with the development of the internet providers and the market started to have easy access to the internet. There are big international companies, who offshored their offices, such as Deloitte, Grand Thornton, Financial Chain Corporation (FC Corporations). The revenue of Grand Thornton Kyrgyzstan in 2023 was 250\$ million USD. (GrandThornton, 2024). It is the huge contribution of one company to the economy of Kyrgyzstan if we compare the annual GDP of \$13.9 billion USD in 2023 (World Bank, 2024). The accounting outsourcing industry is also interesting and has big opportunities because of the Eurasian Economic Union, which includes Kyrgyzstan, Kazakhstan, Armenia, Belarus and Russia. Located in Kyrgyzstan you can provide services not only outsourcing to Western developed countries but also nearshoring to the Eurasian Economic Union member countries, with a population of around 185,2 million people. (EAEU, 2023). In Kyrgyzstan operates around 200 outsourced based accounting companies and the market is increasing (Sadyrbekova. K. 2024) According to Kyrgyzstan Government Statistics Department the highest salaries in the republic is accounting specialists, it is approximately 700\$ USD, which shows the demand in the industry (stat.gov.kg) In comparison to oriented in international outsourcing, which is between 1000\$ - 2000\$, market has bright future to earn on the cost difference (Sadyrbekova. K. 2024).

Other players in the outsourcing industry are creative jobs, such as animation, video, movie filming and editing, digital design, consulting services, youtubers, architect services. In an era when digital transformation and innovation drives economic growth, Kyrgyzstan has taken a significant step by initiating the creation of the Creative Industries Park (CIP). This unique project aims to transform the creative economy landscape in Central Asia, providing an enabling environment for innovators and entrepreneurs, contributing to the growth of the entire country's economy. (UNDP, June 2023) Virtual residency in the Park of Creative Industries (CIP) is not

ted to a geographic location and provides unique tax incentives throughout the world designed to stimulate creative entrepreneurship and attract talent and investment. According to Daniar Amanaliev the chairman of the Park of Creative Industries, with the development of the global internet and a creative approach to business, Kyrgyzstan has a huge potential to earn money worldwide working from Kyrgyzstan. The most successful project of the Kyrgyz creative business is the YouTube channel D Billions, with 32.2 million subscribers and 41.9 billion views, the channel's revenue in 2023 is 19.8\$ million USD (Speak Rj, October 2024), according to Daniar Amanaliev their yearly net income between 20\$ - 26\$ million USD. It is the giant income only for youtube channels, the team works from the office and makes animations and video editing for the channel. D Billions is the successful example of the human potential of Kyrgyzstan. Is the 95th biggest channel in youtube, 12th globally on kids channels, and 35th on global view ranking on youtube. The creators team also provide video making and editing to Western countries and have courses and lessons on animation and video making. They not only earn money, but also contribute to the development of the creative outsourcing industry and teach the younger generation. Their success proves and gives hope that, regardless of geography and country, you can make good income on the Internet. Daniar Amanaliev is also the CEO of Ololo Creative Hubs, which has over 1000 offices and 8 hubs in Kyrgyzstan. Ololo Hubs provides offices and co-working spaces for rent for freelancers and outsourcers. Daniar invested over 10\$ million USD and in the process another hub for 5\$ million USD of office space. He is saying that the demand for offices is significantly increasing in Ololo Hubs and Kyrgyzstan at all, which shows the growing size of the outsourcing industry. One of the residents of Park of the Creative Industries (CIP) 1.1 Studio is the company working in video and content making outsourcing. They have orders from Kazakhstan, Russia, Turkey, South Korea and from international organizations such UNDP, Asian Development Bank and World Bank (A. Tabaldiev, 2024). Askhat Tabaldiev is the general producer of the 1.1 studio and he is managing the internal and international orders. In 2023 they got offers for 9.6\$ million USD with a net worth of 4.7\$ million USD. They started with 4 friends and were just making fun videos on social media and got started to receive orders. Once they became famous in Kyrgyzstan, they started to receive orders from neighboring Kazakhstan and Russia, where the market and prices are much bigger and higher than in Kyrgyzstan. (A. Tabaldiev, 2024). According to Askhat they received the first biggest order from the Korean company, who noticed the company's talent and video quality. The



contract was for 1\$ million USD with a net profit of 800,000\$, since workforce in Kyrgyzstan are cheap and taxes are low. But after the completed work, they learned that the Korean company had saved 3 million. This is the difference between markets and the effectiveness of the outsourcing industry in practice. (A. Tabaldiev, 2024)

As we learned, the outsourcing industry is developing rapidly and there are business opportunities in every reconciliation. This is a good opportunity for investors, given that outsourcing services do not require large investments. All of the above services are provided on a computer by specialists via the Internet. So the most important factor in outsourcing services is qualified specialists. All existing companies practice the open training with subsequent recruitment of employees. There are a lot of courses on the market that in a short period of time teach the skills and opportunities to work in the outsourcing industry in Kyrgyzstan. This practice is the best solution for saving time and money instead of studying in universities for most job seekers. Additionally, approximately 13,000 Russians and 20,000 Ukrainians have moved to Kyrgyzstan over the past 2 years (The Bell, 2024). Many of them work remotely for foreign companies, they teach local people and hire them, which increases the labor market in Kyrgyzstan and contributes to the development of remote work and the outsourcing industry.

### **5.3 Growth Potential and Competitive Advantage**

According to Azis Abakirov the founder of the High Technology Park in Kyrgyzstan, since 2013 when High Technology Park established and till 2023 500 residents joined the Park and in 2023-2024 the member companies reached to 1000 residents. So last year members doubled the result of 10 years, this shows tremendous market and services growth. The High Technology Park requirement doesn't cover all outsourcing services, so many other services such as digital design, video making and editing, animation, consulting services can't join the Park. So on October 19 2021 with the efforts of the Association of Creative Industries of Kyrgyzstan, an application was submitted for the formation of a Park of Creative Services. On April 21 2022 the President of the Kyrgyz Republic signed a decree on measures to develop the creative economy, marking the beginning of a strategic approach to this industry. On April 23, 2022 the first festival of creative industries "Create4" took place with the participation of President Sadyr Japarov, which brought together more than 2,000 participants, which was a bright start for further development and on July 30 2022 the Law on the Park of Creative Industries was adopted by

deputies of the Parliament. And finally on April 09, 2024 the Park of Creative Industries was registered, the opening shows that the government is interested in the industry and supports the development of creative services, which is increasing opportunities for outsourcing services (CIP, 2024). Both High Technology Parka and Park of Creative Industry promote the idea of "Live in Kyrgyzstan and work with the whole world" and provide tax preferences in the form of a 5% tax on profits, which is really attractive and incredibly low in comparison with Western countries. The only difference is in the provided services, the concept of the High Technology Park is that in the future, in order to undertake activities related to high technology, all other creative or voice-based services can take advantage of the preferences of the Creative Industries Park.

According to my experience and observation in the field of logistics services provided to the market of the USA, in the last 2 years alone, about 10 courses and academies have been opened to teach logistics outsourcing skills. When I started working in 2019, in Bishkek, the capital of Kyrgyzstan, there were only a couple of companies and they used to train and hire workers personally. Totally in Bishkek was around 50-100 truck dispatchers. Nowadays in KAADLS (Kyrgyz American Association for the Development of Logistics Services) there are 3600 members (E. Kozhaliev, 2024)

All representatives of outsourcing services are opening courses and training centers with the development of the market and an increase in demand. From interviews with specialists and from my personal observation, we learned that the entire industry is developing at a rapid pace. Kyrgyzstan is a small country with a small population of 7.16 million people (stat.gov.kg, 2024) and it would seem that the country does not have much potential in comparison with India, China or the Philippines, but compared with similar countries in terms of population, such as Ireland, Israel, Belarus, Estonia and Latvia, Kyrgyzstan has all potential to grow. In Figure 4 we can see that Latvia is in the top 20 global destinations for outsourcing services, with a population of 1.9 million, which is approximately 4 times less than in Kyrgyzstan. (CEIC Data, 2024). With a population of 1.3 million people, Estonia's yearly revenue of IT outsourcing is 1\$ billion USD (Ncube, 2022) and annual revenue of Business Process Outsourcing (BPO) is 73,5\$ million USD in 2024 (Statista, 2024). Even though Estonia and Latvia are small countries with the government policies and initiatives they became one of the best destinations. Improved digital infrastructure and high-quality outsourcing services attract international companies. Another successful small country is Ireland with a population of 5.1 million people and estimated revenue of IT and BPO

services is 2.8\$ billion USD and expectation by 2029 is 3.94\$ billion USD (Statista, 2024). And Israel with a population of 9,6 million people the total revenue of the outsourcing services is 4.76 billion USD in 2024 (Statista, 2024). These countries succeeded because of several factors, such as advanced digital infrastructure, skilled workforce, business friendly environments and specialization on high value services.

Kyrgyzstan is a developing country with a young population of 7.16 million people, of which 35% are between 14 and 35 years old, 2.6 million live in cities and 4.5 million live in rural areas. (stat.gov.kg, 2023) The country will develop along the path of urbanization. With an average salary around 300\$ USD, the outsourcing industry will develop in the country as more and more young people will need work and will move to cities. Compared to the successful countries listed above in Kyrgyzstan, investors and clients can save more money and get excellent service. The standard of living in European countries and Israel is much higher than in Kyrgyzstan and contracts there are correspondingly more expensive. So, in percentage terms, the Kyrgyz market will experience a higher growth rate. I noticed a common factor among all successful countries with an outsourcing industry - a good level of English among the population. Based on the analysis of Education First (EF), Kyrgyzstan is leading in English proficiency in Central Asia, 27% of the population speaks English. It is not a very good indicator, but it shows the desire of the population to learn English, given that the country lags behind all countries in the region in terms of GDP. There are a lot of universities, educational institutions and schools in the country that teach entirely in English, such as American University of Central Asia, University of Central Asia, International University of Kyrgyzstan, Alatoo International University, Sapat High Schools and a lot of English courses and centers. Additionally, Kyrgyzstan has the lowest average salary in the region - \$228 USD, Uzbekistan (\$351), Turkmenistan (\$654 per month), followed by Kazakhstan, which has the highest average salaries in Central Asia - \$673 (Timesca, 2023). This is another positive factor that it is possible to build a competitive business in Kyrgyzstan and attractive for cost sensitive outsourcing.

Another important advantage is that Kyrgyzstan located in the heart of Central Asia, bordering with China, Kazakhstan and close to Russia, as a part of Commonwealth of Independent States (CIF) and Eurasian Economic Union (EAEU) it is a perfect location for operating nearshoring and outsourcing. Located in Kyrgyzstan investors could have access to all neighboring and to all Post Soviet Union Countries. With a young and multilingual workforce, Kyrgyzstan can focus on

voice-based Business Process Outsourcing services for Russian-speaking and other regional markets. Kyrgyzstan historically located at the crossroads of the Great Silk Road and continues to be a logistics link between the regions. In the new Chinese “One Road, One Belt” strategy, Kyrgyzstan has a special role; a middle road passes through Kyrgyzstan, which will connect China and Western countries. With the escalation of war in Ukraine and the increase of sanctions against Russia, through which the main logistics route was running, the Chinese government began to pay more attention to the middle corridor through Central Asia. On June 6, 2023, in Beijing, representatives of the three countries signed an agreement on the joint construction of the China-Kyrgyzstan-Uzbekistan railway. According to preliminary calculations, after the construction of the China-Kyrgyzstan-Uzbekistan railway, the route from these three countries to the Middle East and Southern Europe will be reduced by almost 900 kilometers. And in the future, 40% of all land cargo may pass through this route. (Azattyk, 2023). It has a significant effect on Kyrgyzstan's economy and a great opportunity for future investors. Additionally, Kyrgyzstan is located in an ideal time-zone for developed Asian and Western countries, which positively affects live communication and collaboration.

Kyrgyzstan is a developing country with a young and growing population. With an excellent location and talented people. With ongoing state and international projects and initiatives, Kyrgyzstan has excellent potential and advantage for growth and development, and at the same time there are all conditions for the development of outsourcing industries, which creates opportunities for foreign investors.

## **6. OPPORTUNITIES AND CHALLENGES FOR FOREIGN INVESTORS**

Kyrgyzstan is a developing country and in the last 3 years showed significant development. This year alone, 100 factories and enterprises were opened in honor of the 100th anniversary of the county's territoriality (akipress.kg, 2024). According to the Ministry of Economy and Commerce in January-September 2024, it amounted to about 952 billion soms (11.2\$ billion USD) and increased by 8.4% compared to January-September 2023 and it is the best result in percentage growth in the Commonwealth of Independent States (e-cis.info, October 2024). It has a young and growing population, competitive labor cost, perfect practicing outsourcing industry representatives, beautiful nature and talented potential human resource. Kyrgyzstan is

strategically located in the heart of the Silk Road, serving as a gateway to major markets such as China, Pakistan, Russia, Eurasian Economic Union and Commonwealth of Independent States. As we learned, Kyrgyzstan will become a logistics hub in the transit middle corridor between Eastern Asia and European countries throughout China - Kyrgyzstan - Uzbekistan project. Government actively supports foreign investors and entrepreneurs with policies and promotions. Opening Special Economical and Industrial Zones, establishment of High Technology Park, Park of Creative Industries is proof that the government is interested and supportive for the future investors. However, despite its appeal, foreign investors must be aware of challenges such as regulatory complexity, infrastructure gaps, and political risks.

### **6.1 Investment Promotion Policies**

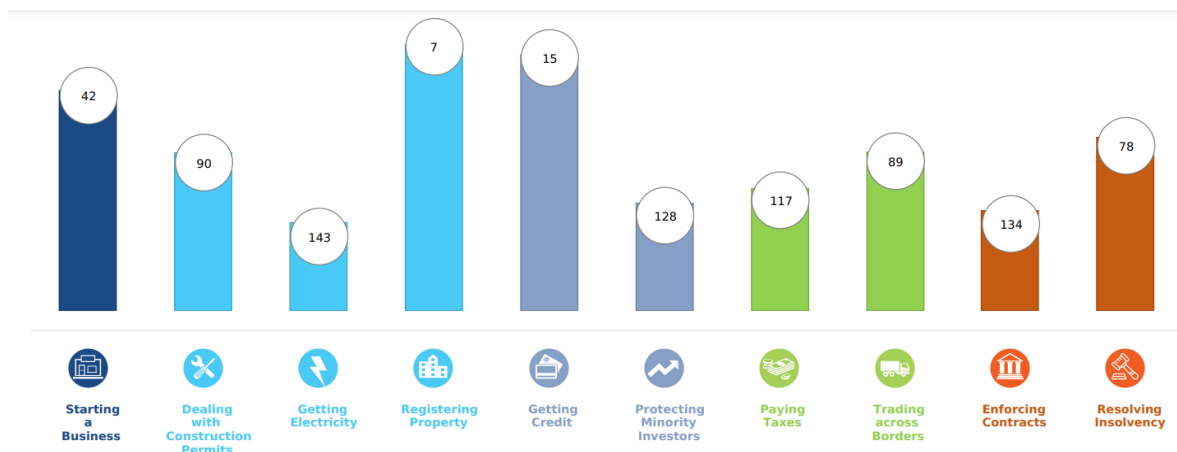
For all countries aimed to improve both domestic and foreign investments, it is important to have different strategies for promoting investments. It is important to have clear and transparent law and regulations that govern investments. Required to provide investor protections, intellectual rights and to dispute resolution mechanisms. To attract investors there must be competitive tax preferences, subsidies, government grants and monetary incentives, such as free of taxes, reduced cost of tariffs and establishing Special Economic Zones (SEZ). Government initiatives and promotions such as developing infrastructure and transportation, communication network, energy access, which supports business operations. For investors it is important how simple the business entry processes are, how efficient procedures for business registrations, such as getting permits and licenses. Market access keys, such as participating in trade agreements, being a part of economic and customs unions, promoting ease of export and import tools for business positively attracts investors. Needs to be effective support of services such as investment advisory, consultancy and assistance in navigating local business practices and regulations.

Under the legal framework in Kyrgyzstan there are a lot of laws and regulations to protect and promote the investors. The law No. 66 “Investment in Kyrgyzstan” is one of the main legal initiatives, which is to guarantee foreign investment with the same protections and regulations as local investors and companies. According to the law foreign investors of choice in the area and industry, where they want to invest, are eligible to use foreign currency and guaranteed the right for invested capital or property (A. Jorupbekova, 2010). Additionally, to Law NO. 66, the government accepted the Decree NO. 23 “The Protection of Investment” on April 26, 2010, which was adopted to protect foreign investors in case of damages or harms in case of civil and

political instabilities. Another initiative of the government is the Order NO. 113 taken by the Ministry of Economic Regulations, to provide road maps and special solutions to develop the investment climate in Kyrgyzstan. The road maps are used for the protection of investments, the tax decreasing opportunities and simplify the regular communication between the foreign investors and government authorities (A. Jorupbekova, 2010). Kyrgyzstan accepted the bilateral investment promotion and protection agreement with more than 30 countries, including the United States, Switzerland, Germany, China, South Korea and the United Kingdom. The foreign investments get specific guarantees against the possibility of nationalization of the property or business of foreign investors, according to their countries respective bilateral agreement with Kyrgyzstan (A. Jorupbekova, 2010).

Kyrgyzstan's Ease Doing Business ranking is 80 from 190 analyzed countries (World Bank, 2020). The program provides objective analysis of business processes starting from starting the business, registration and the level of using government's policies and instrumentals. Doing business analyzes all important factors of the regulatory environment and how it really applies to local or international companies in practice.

Figure 9. Rankings on Ease Doing Business in Kyrgyz Republic



Source: *Doing Business, 2020*

Under the general ranking the analysis checks indicators of starting a business, process of construction permits, electricity accessibility, registering property, getting credit, protection minority investors, taxes, trade opportunities, enforcing contracts. In Figure 9 according to the analysis Kyrgyzstan has the leading positions on registering property and getting credit

indicators, the positive 42nd position at the starting a business. On dealing with construction permits, trading across borders and resolving insolvency positions Kyrgyzstan ranked in the middle between 78 and 90. The worst results on getting electricity (143) and enforcing contracts (134) positions among the 190 countries. These indicators are important measures for investors, who want to invest in areas such as manufacturing, mining, and construction industries. I decided to compare them with the outsourcing services. In comparison to other industries investing in the outsourcing services industry requires minimal sources. The requirements are mostly just an office with computers, access to the internet and skilled specialists, which has minimal risks and makes it more attractive to the foreign investors.

To promote investments in outsourcing industries, the government established High Technology Park (2013), where and Park of Creative Industries (2024), where residents have access to simplified processes and registration. High Technology Park has 0% of value added tax, 0% of profit tax, 0% sales tax, 5% of personal income tax and 1% contribution to the High Technology Park directorate. Park of Creative Industries provides similar conditions 0.5% of single tax, 5% of personal income tax and 1% to the contribution to Park of the Creative industry. It is a significant promotion for the outsourcing industry, self-employed specialists and digital nomads. Tax incentives are one of the main instruments that Kyrgyzstan uses to promote and attract foreign investment. They are valuable and cost approximately 5% of GDP in total revenue and in 2020 it was 404\$ million USD (UNPD, 2022), compared with countries GDP of 8.27\$ billion USD in 2020, which was a big contribution (World Bank, 2023).

Another promotion to attract foreign investors is the infrastructure of the country. In the case of outsourcing services, infrastructures such as transportation, industrial and special commercial zones (SEZ), utility infrastructure, logistics and supply chain infrastructure are not important. For the outsourcing service the main importance is digital and energy infrastructure. Kyrgyzstan is at 66th position among 111 countries on mobile internet speed according to Oakla, which made research on internet speed worldwide. Landline internet Kyrgyzstan is at 85th position with an average speed 64.17 Mbps. For business there are special packets with speeds over 150 Mbps. The coverage of the 4G network is confidently around 100% in 2024 (Statista, 2024). The digital infrastructure has good indicators for the growth of outsourcing services. In the case of the energy infrastructure Kyrgyzstan has issues with energy. In Figure 9 we can see that in getting electricity tanking Kyrgyzstan is at 134th position. In some regions, mostly in rural areas, rolling

blackouts are practiced, however in urban areas and in the big cities like Bishkek and Osh, where most businesses established there are no issues with energy accessibility. Another advantage of Kyrgyzstan is that foreign citizens can purchase property and land at the legislative level, regardless of residence permit and visa. This provides new opportunities for investors (Azattyk, 2024). In comparison, outsourcing destination hubs like the Philippines and India do not provide such opportunities. In these countries there are restrictions on purchases, they require a minimal period of residence in the country and limit the direct purchase of a property, but not land. (Rustomjee, 2024), (S. Arshad, 2024). Kyrgyzstan is doing everything possible to attract foreign investors.

In order to increase investments, the President approved the formation of the Agency for Attracting Investments under the Presidency of the Kyrgyz Republic. In 2023, the President signed a decree: 1) To approve the Concept of digital transformation of the Kyrgyzstan for 2024-2028, 2) to develop by April 1, 2024 with the participation of representatives of the business community and academia, as well as foreign experts and submit for approval the Concept of digital transformation of the Kyrgyz Republic for 2024-2028, which is positive indicator that Kyrgyz government is actively working on policies and initiatives to attract new foreign investors and improve the business environment and infrastructure (gov.kg, 2024).

## **6.2 Challenges**

Despite all the listed positive factors, the country has weaknesses and difficulties that Kyrgyzstan must work on. One of these problems is the unstable political situation. Over the past 20 years, there have been 3 revolutions in the country, in 2005, 2010 and 2020, which negatively affects the investment climate. There are states that have already formed a positive investment image. The countries of the EU, Western Asia, and North America are the standards of investment attractiveness. Countries such as the Kyrgyz Republic are now in the process of creating it and every year new, progressive changes are being made to improve investment attractiveness. The Kyrgyz Republic has concluded 33 bilateral agreements on the promotion and protection of investments with countries such as Austria, Great Britain, Germany, India, Kazakhstan, Qatar, Turkey, China, Kuwait, Russia, USA, Switzerland, South Korea, etc. In order to attract tourists and increase investment opportunities, Kyrgyzstan has introduced a visa-free regime for up to 60 days for citizens of 61 states (mineconom.gov.kg, 2020)



Another problem is the lack of qualified specialists, since 40% of the workforce is involved in the agricultural industry and almost 1 million people are in immigration. This can create difficulties for large value investors. According to the experience of the best destinations for outsourcing industries, knowledge of English is one of the most important factors in the development of outsourcing services. Since Russian is the main foreign language in Kyrgyzstan, this may limit the provision of services to developed Western countries. New global trends in business, including outsourcing, are being created in the English-speaking world. The importance of the English language increases the clients base, and ignorance of the English language limits. Unknown countries' brand, another barrier that needs to be faced by Kyrgyzstan. Providing data to a foreign company still causes mistrust among many international clients, especially in developed Western countries and Kyrgyzstan is an unknown risk. Most people don't have accurate information about the country, not to mention the outsourcing industry in Kyrgyzstan. Azis Abakirov mentioned this, in the first years of the formation of the High Technology Park, specialists were providing sub outsourcing services. Ukrainian and Russian companies were taking orders from Western countries and were transferring tasks to Kyrgyz specialists at a low price (A. Abakirov, 2024). But still, through such experience and practice, a new emerging industry has formed in Kyrgyzstan. The government needs to work on branding and improve recognition of Kyrgyzstan in the international market. In general, the financial threshold for entering the outsourcing industry is very low and there are very minimal risks. Since outsourcing services don't link to manufacturing, logistics, marketing and sale of products, there are no customs procedures and no problems will stack at the border or in the country. This is an online based business with minimal risks.

## **7. CASE STUDY: DIVERSITY GO, FOUNDER: URMAT ABASKANOV**

Based on the study of the outsourcing industry in Kyrgyzstan, it will be useful to study a practicing company. Find out from the business registration moment, the work practice, advantages and faced problems in the process. As I mentioned, one of the emerging outsourcing services in Kyrgyzstan is truck dispatching. I decided to choose the logistics outsourcing industry, in which I have been working since 2019.

Urmat Abaskanov was working in the United States in the truck industry, he moved to Kyrgyzstan in 2018 and started to provide outsourcing services to the United States market in

2019 and after one year in 2020 founded Diversity Go. Diversity Go provides truck dispatch service in logistics outsourcing to United States companies. The responsibilities of a truck dispatcher include monitoring the cargo market, purchasing loads and providing information support to the truck driver in the USA, full control of the process, and managing bill of lading and other documents, all in live online mode. It is an example of a voice-based outsourcing service.

Abaskanov U. decided to work in this industry because of the simple starting of the business and minimal entry of required capital. He started to work with a portable computer from home. Company earns an income because of the huge difference in salaries between the United States and Kyrgyzstan. Per Abaskanov U. companies in the USA would pay between 4,000\$ to 10,000\$ to, in Kyrgyzstan the average salary is between 1000\$ - 2000\$, which is 4-5 times less than in the USA, but 3-4 times more than average salary in Kyrgyzstan. Nowadays in the company employs 27 people. The minimum salary is 700\$ and the maximum is between 3000\$ and 5000\$, it depends on completing tasks, most experienced truck dispatchers work on percent of completing gross rates not a fixed salary. Abaskanov U. decided to officially register the Diversity Go because of the tax preferences the government promotes, in 2020 he registered a company in High Technology Park. In comparison the advantage of HTP is the 5% income tax, instead of 27% he was paying previously from all income taxes. This was a significant saving of capital.

One of the advantages of the providing service is that it is a voice-based outsourcing service, and not limited with location. Employees can work anywhere, since they will have a connection to the internet. Another main advantage is a lack of competition in the market. The USA has the biggest economy and market can provide enough jobs. Moreover, the United States is the leading country in creating and providing outsourcing services (Statista, 2024). The quick learning of the service, which is around 3 months, is another advantage. If a person speaks English, he can learn this job in a few months and without a diploma and special requirements can start to have at least 3 times more salary in Kyrgyzstan. The truck dispatching service has a significant impact on the labor market, most English speaking job seekers aim to work in this industry. In comparison to the IT industry, which requires skilled labors and long term education before starting to earn money, in logistics outsourcing you can start to earn faster and easier.

Mr. Abaskanov in 2020 invested 10,000\$ to open an office and set up the computers and high speed internet for 7 people, including him. His net income that year was around 110,000\$ USD,

the difference is significant. Employees earned around 90,000\$ total, with an average salary 1200\$, which is also profitable. Totally with an investment of 10,000\$ service generated around 210,000\$ USD in one year. The expenses to teach and employ one person is around \$500, to set up a computer and 3 months in time. It is a great advantage and opportunity for investors.

The main challenge of the industry is high employee turnover, since it is easy to learn and simple to find new companies, laborers quickly change the companies and ask for a higher salary. So it requires all the time to teach the new employees and to have backup options. Another negative side is the time difference between Kyrgyzstan and the United States. Since it is a voice-based live job, truck dispatchers work according to USA work time and means it starts at the evening 5-6 PM and finishes at 4-5 AM in the morning according to Kyrgyzstan time zone. This is not a decisive factor and not a terrible problem, but in general it affects a person's regime and some people cannot afford to work at night time.

The dialogue with Mr. Abaskanov Urmat provided comprehensive insights into the operational process and strategic factors of the industry and I convinced and confirmed the hypothesis that there are great opportunities in the outsourcing industry and that the industry will grow and develop, including that outsourcing services industry is a win-win solution for laborers and investors.

## **8. CONCLUSION AND RECCOMENDATION**

This research comprehensively analyzes the growth potential of outsourcing services in Kyrgyzstan, addressing opportunities and challenges for foreign investors, in comparison with an experience of the best destinations such as India, Philippines and Poland. Kyrgyzstan has a strategic location at the crossroads of Central Asia, coupled with a young and increasingly skilled workforce, provides a promising foundation for developing its outsourcing industry. Government initiatives, such as the establishment of the High Technology Park (HTP) and the Park of Creative Industries (PCI), offer significant incentives, including tax breaks and streamlined processes, making the country attractive for cost-sensitive foreign investments.

Despite the positive opportunity and attractive investment climate, Kyrgyzstan has several challenges which limits the country's potential to become a competitive outsourcing destination. However, the growing global demand for outsourcing services, also positively affected the emerging outsourcing industry of Kyrgyzstan and contributes in developing potential sectors,

such as logistics, IT, accounting, and creative industries, promoting growth that could position Kyrgyzstan as a regional outsourcing hub.

To become a regional hub or the attractive outsourcing destination the government of Kyrgyzstan needs to manage the existing challenges. Improvement of digital infrastructure, investment in internet accessibility not only in urban, but also in rural areas will increase and support remote work capabilities. Need to work on development of cybersecurity according to international experience, which will increase confidence of foreign investors. The most important source of the outsourcing industry is skilled employees and if the government wants to create a serious outsourcing hub, it needs to integrate English language education in primary and secondary schools to improve the proficiency of Kyrgyz population. With an improvement of the internet new online services will be established. That's why High Technology Park and Park of Creative Industries need to expand their activity scope, by including more online service-oriented outsourcing sectors. Additional financial incentives, such as grants and low-interest loans for business looking citizens and foreign investors will contribute to the development of the outsourcing industry in Kyrgyz Republic. Government needs to improve political and economic stability through government reforms and institutional transparency, to minimize bureaucratic barriers and to guarantee the protection of foreign investment, which are critical for investor confidence. Since the biggest generators of outsourcing jobs are the Western developed countries, the government needs to improve relationships and partnerships with related countries to improve the country's brand to facilitate business relationships. Kyrgyzstan needs to focus on main markets, by promoting it as a cost-effective destination for niche outsourcing sectors such as IT, logistics dispatching and creative industries, which have already demonstrated success. Needs to highlight the competitive advantage of tax incentives and low operational costs for foreign investors. By organizing international forums and roadshows to showcase Kyrgyzstan's outsourcing potential, leveraging success stories from local companies like the High Technology Park must to attract Foreign Direct Investment (FDI). Collaboration with international organizations for the development of the outsourcing sector, will contribute to an increasing market. Finally, it is important to monitor and follow global trends, such as development of emerging technologies, artificial intelligence (AI) and block-chain, to identify new outsourcing opportunities, by supporting local companies in adopting technologies to be competitive in the global outsourcing industry.

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## 10. APPENDIX

Below listed transcripts of interviews with the Aziz Abakirov the Founder of the High Technology Park of Kyrgyzstan, Kozhaliev Erkinbek the Chairman of the KAADLS (Kyrgyz American Association for the Development of the Logistics Services, Daniar Amanaliev the Chairman of the Park of Creative Industries and Urmat Abaskanov the owner of Diversity GO.

### 10.1 Interview with Azis Abakirov

Date: September 7, 2024

Location: "High Technology Park", Bishkek

Duration: Approximately 25 minutes

Transcript:

Me: Can you tell when and how you started to work in IT outsourcing industry?

Abakirov: It started in 2003, when I was studying in Japan, I was looking for job opportunities to pay my university tuition. Then I realized that we can provide cheaper services to Japanese companies by providing services from Kyrgyzstan. Me and my friend, Maxim Shmelev, established the company Unique Technologies.

Me: Was it difficult to get orders from the Japanese companies as a student?

Abakirov: Sure, first issue was that Kyrgyzstan was unknown country for Japanese people and it was early 2000<sup>th</sup>, when internet and personal computers wasn't common things as now. Since it was remote service and companies were providing their data, it was issue with safety and trust. However, the cost difference of services between Kyrgyzstan and Japan played main role on our success. At that time average salary in Kyrgyzstan was between 30\$-50\$ USD. In Japan it was more than 2000\$ USD. It was significant difference.

Me: Do you know another people or companies, who were providing outsourcing services in Kyrgyzstan at that time?

Abakirov: At that time in Bishkek was a few IT specialists and we knew each other. Our company Unique Technologies was the first company, which was providing outsourcing services. By 2008 in Kyrgyzstan was approximately 30 IT companies and we organized Kyrgyz Association of Software and Services Developers with a mission "We do not have oil, gas and access to the sea, but we have talented people and beautiful nature and inspiration, and the Internet has become our sea, our ocean of opportunities."

Me: When you established the High Technology Park?

Abakirov: By the 2011 most companies in Association of Software and Services Developers were providing sub outsourcing services, they were getting orders from Belarus, Ukrainian and Russian companies, which were getting orders from Western countries. Because of the closer location to the Europe and better English proficiency those countries were getting orders from developed countries and were getting services from Kyrgyzstan based companies for cheaper prices. At that time in Belarus the government establish High Technology Park of Belarus. We basically copied the name and their experience. We started to analyze how we can establish the High Technology Park and offered to the government and asked the government for preferences on taxes. At that time the government didn't believe us that it was possible to operate the software and services development for export, because of neighboring global huge countries such as China, Russia and India. But as a first entrepreneurs, who paved the way through the practice

of the outsourcing industry believed in the future of the industry in Kyrgyzstan and we founded the High Technology Park.

Me: What was the revenue of the High Technology Park when it was funded and now?

Abakirov: The first year revenue was 1.3\$ million USD, in 2015 2.1\$ USD, in 2016 4\$ million USD, in 2017 8.4\$ million USD and in 2018 10.3\$ million USD and with an average salary per month of 1400\$ and revenue 48\$ million USD in 2023.

Me: What is your expectations and predictions about the future of the High Technology Park and outsourcing services?

Abakirov: Since 2013 when High Technology Park established and till 2023 500 residents joined the Park and in 2023-2024 the member companies reached to 1000 residents. So last year members doubled the result of 10 years, this shows tremendous market and services growth. We have a plan and prediction that by 2030 Kyrgyzstan will have around 50,000 IT specialists and revenue would be 1\$ billion USD.

## **10.2 Interview with Daniar Amanaliev**

Date: September 12, 2024

Location: "Online"

Duration: Approximately 10 minutes

Transcript:

Me: Can you explain the aim of establishing the Park of the Creative Industries? What are its main differences?

Amanaliev: The Park of Creative Industries was established to improve the growth of creative economy in Kyrgyzstan. The main difference between Park of the Creative Industries and the High Technology Park is their focus, while High Technology Park is related to high-tech industries such as IT and software development, Park of the Creative Industries is oriented in the creative industries.

Me: What is the creative industry?

Amanaliev: Creative industry is the sectors of the economy that involve the generation and commercialization of creative ideas, innovation, and intellectual property. Creative industry is the industries such as animation, video production, design, social media blogging, consulting.

Me: What is the aim of the Park of the Creative Industries?

Amanaliev: The main goal is to provide a creative environment for creative entrepreneurs and innovators to work effectively and contribute to the country's economic development. One of the main goals to support businesses and freelancers in the creative sector by offering tax incentives and streamlined processes. PCI also develops projects with a cultural or artistic focus, which are less tied to traditional tech innovation but still have global appeal. Our mission at PCI is to show that you can live and work in Kyrgyzstan while contributing to the global market.

Me: Do you have a resident fee and what are the tax preferences?

Amanaliev: Residents of the Park of the Creative Industries benefit from a significantly lower tax rate—0.5% single tax and 5% personal income tax—compared to standard corporate taxes. This makes Kyrgyzstan more competitive as a hub for creative outsourcing.

Me: Do you have a successful company, whom we might know?

Amanaliev: One example is the success of the D Billions YouTube channel, which has generated millions in revenue and serves as a model for the potential of creative outsourcing from Kyrgyzstan. The channel has a global leading position in world child content creation.

Me: What is your future plans and aims?

Amanaliev: Through Park of the Creative Industries, we aim to build on such successes by providing resources, co-working spaces, and support to other creative entrepreneurs.

### **10.3 Interview with Kozhaliev Erkinbek**

Date: September 7, 2024

Location: "High Technology Park", Bishkek

Duration: Approximately 20 minutes

Transcript:

Me: Can you explain about the Kyrgyz American Association for the Development of Logistics Services (KAADLS)? How many members you have? And what is the main aim?

Kozhaliev: The Kyrgyz American Association for the Development of Logistics Services established to support and develop the logistics outsourcing sector in Kyrgyzstan. Our main aim is to create opportunities for local labors by connecting them with the USA logistics market, where the demand for cost-effective and skilled dispatch services is growing. Currently, KAADLS has over 3,6000 members, including companies and individual freelancers. These

members provide dispatch and other logistics services to United State based trucking companies, managing operations remotely from Kyrgyzstan

Me: How many truck drivers in United States and what is the average salary of the truck dispatchers in Kyrgyzstan?

Kozhaliev: According to the Department of Transportation (DOT) of the USA there are approximately 3.5 million truck drivers in USA, operating around 5 million trucks. Despite this large workforce, the industry faces a significant shortage, with an estimated 100,000 additional driver needed to meet demand. The average salary of truck dispatchers is 1200\$ USD per month, which is significantly higher than the average salary in Kyrgyzstan. This makes the logistics outsourcing market very attractive for job seekers in Kyrgyzstan.

Me: Can you compare the growth of the logistics outsourcing sector to IT market in Kyrgyztsan?

Kozhaliev: The logistics outsourcing sector showed significant growth after 2018, when the first dispatch companies began to operate from Kyrgyzstan. Today, this industry includes over 300 companies, with an estimated annual revenue of 21 million USD. The low service cost in Kyrgyzstan affected the growth of the industry, in USA the operational cost of the industry is 5 times higher.

In comparison, the IT sector has a more established background but requires higher level of technical education and high skilled workers. The logistics sector has low barriers to entry and high salaries. The logistics and IT sectors related to each other, with both contributing significantly to outsourcing industry in Kyrgyzstan.

#### **10.4 Interview with Urmat Abaskanov**

Date: October 27, 2024

Location: "Online"

Duration: Approximately 30 minutes

Transcript:

Me: Can you tell me about the Diversity GO? When you found the company and what inspired you?

Abaskanov: I founded Diversity Go in 2020 after moving back to Kyrgyzstan from the United States in 2018. I used to work I the truck industry in USA and realized the potential for remote truck dispatch services to the USA market. In 2019, I started to work from home with just a



portable computer, and after one year, I decided to register the company officially to take advantage of government tax preferences. I inspired by the simplicity of starting the business, the minimal capital required, and the significant difference in salaries between the USA and Kyrgyzstan markets.

Me: What services provide Diversity GO and how does the company operate?

Abaskanov: Diversity GO focuses on truck dispatching, which includes monitoring the freight and market, purchasing loads, providing live time support to truck drivers and managing documents, such as Bill of Lading, Proof of the Deliveries. Our services are entirely voice-based and online, meaning our employees can work from anywhere with an internet connection. This flexibility is a significant advantage in our business model. Currently, we employ 27 people, with an average salary between 700\$ to 5000\$ monthly, depending on experience and performance.

Me: What are the main advantages and challenges of the truck dispatch industry?

Abaskanov: One of the main advantages is the relatively low barrier to entry. Employees can learn the job in about three months, and English proficiency is the only essential requirement. Additionally, the USA logistics market is increasing and requires more workers. Another benefit is the opportunities, which provides the High Technology Park, which reduced our income tax from 27% to 5%. The challenges include high employee turnover. Since its easy to learn the job, workers often switch companies for higher salaries. Another issue is the time difference between Kyrgyzstan and the USA, which means our employees work night shift.

Me: How much you spent to start your business?

Abaskanov: When I started Diversity Go, I invested 10,000\$ to set up an office with computers and high speed internet for seven people. In our first year, the company generated 210,000\$ in revenue, with a net income of 100,000\$. Employees earned an average salary of 1200\$, which is three, four times of the average salary in Kyrgyzstan. The investment quickly paid off, making this attractive opportunity for investors.


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