

# Public-Private Dialogue

## Business Development and Investments Council Under the Government of the Kyrgyz Republic

*By*

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### 1- Background and Context

Established in 2007 with the support of the European Bank for Reconstruction and Development and the Government of Kyrgyz Republic, the Investment Council is an effective and constant platform for dialogue between the Government and the business community in order to improve the business environment and investment climate in the country.

Council members are representatives of business associations, government agencies, and international organizations. The Council is chaired by the head of the Government of the Kyrgyz Republic – the Prime-Minister of the Kyrgyz Republic. The Council meets once a quarter, considers the most actual issues initiated by the businesses, and gives recommendations for their solutions.



In general, the Council's activities aimed at improving the normative legal base regulating the activities of the businesses in Kyrgyzstan. The main activities are:

- Improvement of regulatory and licensing procedures, including obtaining necessary licenses and permits;
- Tax and customs issues;
- Protection of property rights;
- The provision of public services.

**Membership of the Business Development and Investments Council under the Government of the Kyrgyz Republic**

**The Council consists of:**

**Representatives of government authorities:**

- Prime Minister of the Kyrgyz Republic, as Chairman of the Council;

Council members:

- First Vice-prime-minister;

- Ministry of Economy;

**Representatives of multilateral and bilateral international donor organisations (by arrangement):**

- Two representatives of international financial institutions;

**Representatives of business-associations:**

- 36 business-associations;

- The Council Secretary.

The mechanism of the Council's work starts from initiating the business community to taking the necessary NLA (normative legal acts). The basic principles are:

- Promoting the interests of industry or businesses and not individual companies;
- A careful pre elaboration suggestions submitted for the Council;
- Elaboration of concrete recommendations and not just a discussion of problems;
- Obligations involving all interested parties from business and government;
- All proposals must have a concretely specified period (not more than a year);
- The required monitoring of the implementation of recommendations.

The organization of the Council's work fully meets with new democratic changes that happened during last 2-3 years in the country. The work of the Council is fully based on democratic principles: any established business-association can be a member of the Council, the Council reviews only the business community's initiatives related any matters of business development.

**Meetings of the Council:**

Since the establishment of the Council in 2007, there have been organized:

- 14 meetings of the Council, chaired by the Head of the Government of the Kyrgyz Republic
- 1 enlarged meeting
- Head-to-head meeting between the President and the Secretary of the Council

Current members of Investment Council are more than 36 business associations, which combine 25000 companies and enterprises from different sectors of economy. As pointed out by observers, the capacity of business community dramatically increased during the years of the Council's operation. Currently, business associations in Kyrgyzstan are very active and ready to coherently defend their interests.

7 years of operation is a solid proof of our effectiveness. The Council has initiated more than 50 laws and decrees of the President and more than 70 different decisions of the Government.

The most significant and sound decisions are:

- Non-visa regime with 44 developed countries
- Introduction of mandatory RIA procedure
- Introduction of Risk-based inspection procedures and reduction of number inspections
- Reduction of number of licenses
- Law "On Hi-tech park"
- Law "on Public-private partnership"

As a result Kyrgyz Republic moved up in different rankings. Examples are Doing Business, Corruption Perception index etc.

The Council has a Secretariat, which prepares the meetings of the Council and monitors the implementation of the Council decisions.

The staff of the Secretariat is not big and consists of 6 professionals:

- Head of the Secretariat,
- 2 Economic and financial experts
- 1 Lawyer
- 1 Assistant to the Head of the Secretariat – Communication Specialist
- 1 Secretary

The operation of the Secretariat is not limited to dialogue matters; the Secretariat pays great attention to working with foreign investors and to capacity building. Orders to review entrepreneurs' investment opportunities in Kyrgyzstan were organized in international meetings in Japan, the Republic of Korea, Russia and Italy. With organizational support of the Secretariat there was organized an International Forum on Public-Private Partnership (2013), Kyrgyz agro-industrial invest forum (2012), Kyrgyz Agricultural Investment Forum (2011).

Moreover, the Secretariat also provides other assistance to entrepreneurs. It is first of all an organization of round-tables to discuss the most actual business issues, the establishment of working groups to develop proposals, conducts training seminars to enhance the capacity of businesses and helps the preparation of analytical materials.

The Council Secretariat has also focused strongly on the sustainability of its operations. It regularly holds negotiations with representatives of the business associations and international donor organisations on ensuring the financial stability of the Council and the Secretariat. It has signed memoranda of understanding and cooperation with the Kyrgyz Entrepreneurs' Union, the International Business Council (IBC), the Banking Union and the IFC Investment Climate Improvement Project on support for the Council's capabilities in its various areas of expertise. For instance, the Kyrgyz Entrepreneurs' Union provides expert support in the area of tourism, the International Business Council offers expert support on extractive industry issues of interest to the IBC, the Banking Union provides expert support on banking sector issues, while the IFC has provided the services of an expert to work for one year on issues of customs and tax administration and inspections. In addition, the Secretariat receives expert support from consultant members of the Chamber of Tax Consultants and the law offices of Kalikov & Co. The USAID Reform Project is currently providing the services of an expert on public-private dialogue.

Of course, a lot more needs to be done and promoting better environment for business Secretariat sees the following two key strategies:

First, the Secretariat does everything to strengthen the business associations' voice:

1. By doing that the Secretariat introduces open membership in the Council for business-associations. Any business association that proved to be an association becomes member of the Council.
2. As a rule the Secretariat promotes mostly initiatives of the business community. Here the Secretariat provides any possible analytical assistance and this creates an opportunity to coordinate the work with donors because they have adequate capacity. This helps the business community to prepare policy-oriented recommendations instead of non-concrete discussion around problems.

Second, the Secretariat does everything to implement decisions of the Council:

1. The Secretariat has the capacity to monitor all decisions of the council. The Council has a very strict rule: all Council meetings start with a report of the Head of the Secretariat about results of implementation of decisions of previous meetings.
2. The Secretariat introduced a set of monitoring indicators of its activities and set up the targets for them.
3. The Secretariat experts obey a principle: we need substantive and sustainable results therefore we never forget our decisions until the very end!

As mentioned, one success of the Council has been introduction of non-visa regime for foreign tourists coming to the Kyrgyz Republic. The main factor for such success has been the leadership from certain private sector actors. The results were not only a tripling in the number of tourists, but also there was an increase in the number of business tourists.

Another success of Council has been the reduction of the licensing permits. The mechanism by which these permits were granted was very chaotic, corrupt and lacked transparency. The business community took a very active approach towards resolving such system, which together with the Council's recommendations to the government helped centralize the mechanism and make it more efficient and credible.

It is the only and most developed PPD in national level.

The PPD is done by the Council – it considers all recommendations coming from the private sector. The submissions need to be well-prepared and in most cases the Council does not approve. The Council in fact takes only political decisions.

One difficulty in getting reforms passed through the Parliament has been the politicians' domination by populist influences.