

Public-Private Dialogue

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Kyrgyz / Dairy Development Project

by

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Background and Context

Landlocked, largely mountainous, and with a population of nearly 6 million, the Kyrgyz Republic is a vibrant democracy that adopted a parliamentary system in 2011 and is one of the few lower-middle-income countries in the Europe and Central Asia region (GNI per capita of US\$1,170 in 2015).

The country has experienced political and social instability since independence in 1991. Weak governance and entrenched corruption were major stress factors underlying political and social upheavals in 2005 and 2010.

The Kyrgyz economy is vulnerable to external shocks owing to its reliance on one gold mine, Kumtor, which accounts for about 10% of GDP, and on worker remittances, equivalent to about 30% of GDP in 2011–15.

For the country to realize its growth potential—including to export hydroelectricity as a nexus for regional trade and transport and to promote tourism—economic activities need to be diversified through increased private sector development and improved occupational skills and productivity among the youth.

Above all, dramatic improvements in governance are required, as corruption remains pervasive in the public sector, posing binding constraints to economic growth, competitiveness, and social equity.

The Government of the Kyrgyz Republic has committed itself to improved governance at the national and local levels and reduced corruption as the basis for the country's economic and social development.

Kyrgyz Dairy Development Project has launched in February 2017. Within it is business regulation component, the project supports the Business Development and Investments Council for Issyk-Kul oblast (hereinafter, the Council) which was established upon

initiative of former Plenipotentiary Representative of the Government of the Kyrgyz Republic in Issyk-Kul oblast, pursuant to Instruction No. 283, dated July 29, 2016.

The goal of the Council is to consolidate efforts of all stakeholders in order to:

- Contribute to the evolvement and sustainable development of the local business community;
- Attract foreign investment and support thereto;
- Carry out other activities contributing to the improvement of business environment and investment climate in the region.

Partnership, Structure and Processes

Following the accession to EAEU, ample opportunities were given to the farmers and businesses in the form of new markets, but unfortunately, a rapid export growth was not reported. The results of monitoring of economic sector in Issyk-Kul oblast identified that the issue of “small scale commodities production”, specifically, limited volumes of products, different sorts of commodities, lack of standards and uniform technology, turned to be a barrier to large-scale and reliable supplies. Large markets demand high volumes of products. The task of the Council is to unite farmers and businesses and put joint efforts to resolve the issue of “small scale commodities production” through the cluster approach.

Each cluster represents one economic sector. As of today, the Council defined 15 clusters in Issyk-Kul oblast:

Clusters	
1. Dairy cluster	8. Apiculture
2. Meat producers	9. Herbs
3. Crop farming	10. Renewable energy sources
4. Aqua culture	11. Tourism
5. Horticulture	12. Souvenirs and handicrafts
6. One Village One Product (OVOP)	13. Green area “Southern coast”
7. Subsoil users	14. Greenhousing

Members of clusters elect a leader who has a deep understanding of Value-Added Chain of this cluster and impact of indirect factors on the cluster. The leader of the cluster becomes a member of the Council and has the right to attend the meetings of the Council to advocate for the cluster.

The Council has the following structure:

- Two co-chairman: one from the private sector, and another from the public sector (Plenipotentiary Representative of the Government of the Kyrgyz Republic in Issyk-Kul oblast);
- Secretariat;

- Leaders on 14 clusters;
- 9 local governors, e.g. 3 mayors and 5 heads of akimiats (districts);

In addition representatives from the following institutions can attend meetings of the Council:

- Coordination Council (all development partners operating in the Issyk-Kul region – currently, there are 24 projects of 13 development partners operating in the Issyk-Kul);
- Observers (civil society and Media);
- National Business Development and Investments Council under the Prime-Minister of the Kyrgyz Republic

During the last meeting it was decided that the Secretariat will include all government agencies presented in the Issyk-Kul region as members of the council. Currently, the Secretariat is working on register of the government agencies.

Challenges

We face the following challenges:

- Poor understanding of the PPD principals of the newly assigned Plenipotentiary Representative of the Government of the Kyrgyz Republic in Issyk-Kul oblast;
- Weak business community;
- Lack of trust of business community in the government and government institutions

Biography of the Author

Synat Arynova is a Private Sector Specialist working in the Kyrgyz Dairy Development Project. As part of the project, Synat is leading PPD and the activities related to establishing business-to-government feedback mechanisms and introducing performance-management systems for controlling agencies. Prior to joining IFC she has worked in the private sector, supervising trade logistics company in Dubai, UAE. Synat holds BA in Management and MA in Economics from the Bishkek Humanities University, Kyrgyz Republic.