

Private sector reforms

INTERVIEW WITH TIMUR KULIBAYEV

CHAIRMAN OF THE PRESIDUM OF THE NATIONAL ECONOMIC CHAMBER OF KAZAKHSTAN (ATAMEKEN UNION)



TIMUR KULIBAYEV graduated from Lomonosov Moscow State University and holds a PhD in Economics. He was previously Chairman of Samruk-Kazyna and has been a member of the Board of Directors of Gazprom since 2011. He is also President of the Kazakh Boxing Federation and a Vice-President of the International Boxing Association.

Rt Hon William Hague MP,
Foreign Secretary
and Timur Kulibayev

You are head of the largest representative business association in Kazakhstan. Please explain the objectives of The National Economic Chamber.

Since independence over twenty years ago, Kazakhstan’s market economy has developed rapidly and in the global table of ‘ease of doing business’, the country is ranked in the top fifty – far ahead of many other former Soviet states. Despite this success, the country is facing many economic challenges – some sectors have not yet fully recovered from the financial crisis; there is the ever present threat of global recession prompting further crises; increasing competition from the customs union with Russia and Belarus and issues over our potential accession to the WTO. The best answer to these challenges is to strengthen entrepreneurship, enhance competitiveness and improve the business environment. These are the primary objectives of the National Economic Chamber of Kazakhstan ‘Atameken Union’.

Atameken was established in 2005 on the instructions of the President of Kazakhstan and includes over two hundred members – representing the largest industry and regional business associations. Atameken is not only the largest business association in Kazakhstan but also acts as an umbrella organisation for business associations, which represent most industries and regions throughout the country.

What are the key priorities of Atameken?

The primary activity of Atameken is to represent the interests of business in Kazakhstan and it is therefore

accredited to all executive Government agencies. Much of our work involves helping to improve the legislative framework for business. We receive the views of our members and discuss the impact of legislation in a forum section of Atameken website before putting forward our expert conclusions to the government.

Atameken focuses on a number of key priorities – improving legislation regarding tax and customs, reducing the administrative burdens on business, developing entrepreneurship in rural areas; promoting professional and technical education; improving the implementation of Government entrepreneurship programmes; supporting local content issues; and representing Kazakhstan’s business interests in wider economic forums.

What are the achievements of Atameken over the past few years?

In the past few years, Atameken has persuaded the Government to adopt a number of important improvements. For example, Atameken suggested more than 100 amendments to the Tax Code, of which 30 per cent have been approved. Another Atameken initiative was to propose the establishment of an independent Tax Appeal Board, which has received the President’s support and the Government is now developing such an entity, which will improve the professionalism and impartial nature of decisions regarding tax disputes.

Overall Kazakhstan’s tax regime is very conducive to business – we have the lowest tax rates in the former Soviet Union, which is a point of clear competitive advantage. There are a wide range of preferential tax rates especially for SMEs – the ‘simplified tax code’ results in a flat tax rate of 2-3 per cent of turnover for small entrepreneurs. The agricultural sector has similarly low rates – enabling farmers to reduce their tax burden by 70 per cent. Atameken is arguing strongly to maintain the current tax regime as SMEs and the agricultural sector are the foundation for maintaining and increasing employment among the most socially vulnerable part of the population. This is a very positive benefit.

Another important challenge facing the business community is the formation of the Customs Union with Russia and Belarus, which has resulted in two



parallel acts, about 40 international treaties and more than 900 individual decisions of the Eurasian Economic Commission. Customs legislation has therefore become increasingly cumbersome, complex and confusing and has resulted in Kazakhstan's 182nd place among 184 countries in the 'Doing Business 2012' ranking in the field of international trade. Atameken has responded by forwarding a package of 118 amendments related to the Customs Code of the Customs Union.

Atameken is also in constant dialogue with the Government to reduce the administrative barriers as well as the transaction costs of doing business. These proposals have helped reduce the number of permits required by 30 per cent and further liberalisation of the licencing system should be adopted by the end of 2013.

You have said that the agricultural sector is a key priority of Atameken – What is the particular significance of this sector in Kazakhstan?

In terms of employment, Kazakhstan can be considered an agricultural economy – 34 per cent of the total workforce is employed in agriculture and 45 per cent of the population lives in rural areas. These statistics reveal why Atameken is so focused on the development of the agricultural sector and the rural areas. In February 2013, the Government adopted the programme 'Agribusiness – 2020' and Atameken actively participated in the examination and revision of this programme and introduced a significant number of important ideas including highlighting the most urgent challenge of improving access to financial resources for agricultural producers.

What are the positive and negative effects of the Customs Union with Russia and Belarus on the business community in Kazakhstan?

The challenge of common economic areas has become an important issue for the business community in Kazakhstan. Customs Unions often result in the inevitable transfer of authority to the supranational level – such as the Eurasian Economic Community – which generates an additional layer of legislation which unfortunately is not subject to examination by the business community. To address this issue, Atameken aims to include representatives on all the relevant working groups of the EEC – currently we are represented on only three Committees out of the seventeen. However, by the end of this year, we hope that Atameken will be participating fully in the formulation of economic policy in this common economic space. Also, as a result of persistent requests, the Commission will introduce regular impact assessments to gauge the effects of its regulations. To

ensure Atameken's voice is properly heard, an office was opened in Moscow this April.

The Common Economic Space is a major challenge for Kazakh entrepreneurs – The Russian Economy is larger with a competitive market. However, Kazakh business can now access a unified market of 170 million consumers – this offers many opportunities and a real motivation to boost competitiveness. It is essential though to ensure that Kazakhstan's business interests are fully taken into account when considering overall economic policy.

Your Chamber has initiated major structural reforms of the non-governmental business sector. What is the progress on these initiatives?

Despite some progress in the work of business associations in Kazakhstan, there remains a lack of cohesion and commitment to allow business to pursue its interests effectively and to influence and improve the business climate.

These issues are particularly important in the context of economic integration via the EEU and, in the future, the WTO. In 2006, on the initiative of the President, a law concerning the private sector was adopted but the potential of this legislation has yet to be fully realised. For example, the law provides a three tier system of business associations – at the district/city, regional and national levels. To date, there are still no district associations and only 2-3 relatively efficient associations at the regional level. If one considers the continental model of business associations developed in countries such as Austria, Germany and Turkey – every private business entity must be a member of its regional association and these are then combined into a national business association. This continental model has certain advantages over the liberal Anglo-Saxon model in that the associations have a guaranteed income and combined commitment to represent the business community. ▶

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Wheat being harvested near the town of Akkol, 70 miles north of Astana. Agricultural development is a key objective of Atameken



◀ Bearing this in mind, Atameken instigated a transition to a continental model with compulsory membership and one main ‘umbrella’ organisation. The initiative was supported by the Government and a draft law is currently being considered by Parliament. It has been decided that by the end of 2013, the Government and Atameken would fund a new legal entity – The National Chamber of Entrepreneurs – of which all private entrepreneurs will become members. The obligation to pay membership fees will only fall on medium and large enterprises which constitute less than 2 per cent of more than 855,000 active entities. Therefore, the small business sector will have access to the services of the new Chamber without bearing the cost of its operation.

The key to this reform is the principle of striving for a well regulated business environment – the Government is ready to transfer to the National Chamber of Entrepreneurs over fifty functions that are currently performed by Government agencies. This will involve participating in the development and examination of legislation affecting business, budget planning, tariff policy; management of land, water and other national resources; architecture, and urban planning. Atameken will have a permanent role on all consultative bodies at both central and local government agencies and will participate in settlements of tax and customs disputes – with its own court of arbitration.

Atameken will also conduct research and an independent public assessment of the ‘business climate’ as well as evaluating the work of state bodies including the preparation of an annual report on the state of business activity, for the President. This should become a powerful tool for Atameken by providing feedback on the effectiveness of the government’s economic policy. In addition, the National Chamber will conduct regular collection, collation and analysis of data on the compliance of state entities with regard to the rights and legitimate interests of the private business sector.

To complement this activity, Atameken will be given the task of operating public service programmes to support entrepreneurs, promote exports, manage special economic and industrial zones and the construction and operation of border and customs crossings. The National Chamber will also promote ‘local content’ purchases and the development of technical and professional education in the field of foreign economic activity and the attraction of direct inward investments.

In order to carry out this important programme, Atameken intends to form a network of regional offices – sixteen regional Chambers, twenty seven small town chambers, one hundred and eighty-seven district offices and branches/representative offices in other countries. We are sure that as a result of these

reforms, the relationship between the state and the private sector will move from simple dialogue to equal partnership. The business community in Kazakhstan will benefit from an efficient set of measures to protect their rights, promote their interests and help develop their businesses.

You are much involved in the promotion of Kazakhstan’s science and technology base. Please explain your strategy in this area.

The science base in Kazakhstan has great potential – we have research teams working at a high level but the problem lies in the isolation of Kazakh science from the international scientific community. We are therefore addressing this issue and I want to express a big thank you to the scientists at Cambridge University who have agreed to cooperate and help. Together we have created a foundation that supports scientific cooperation between Kazakhstan and the University of Cambridge. This foundation helps Kazakh scientists by providing accommodation in Cambridge and facilitates contact, joint operations and publications. Thanks to this Foundation, joint work has been conducted between scientists at Cambridge Cavendish Laboratory and the Institute of High Technologies of the national company KazAtomProm. This involved detailed research into new materials, which are used in new superconductors, superconducting magnetic cooling systems and new fuel materials. We also have plans to sign additional contracts which will considerably extend this cooperation – with research on biomaterials, the environment and nuclear waste disposal. I hope that this cooperation with Cambridge University will provide fresh impetus to Kazakh science and promote international contacts and technology transfer.

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Cambridge Cavendish Laboratory works on joint research projects with Kazakh scientists

