

ASSESSMENT OF THE EMPLOYER ORGANIZATION

Assessment of the role and potential of local business associations in creation of enabling environment for enterprises of Kyrgyzstan

Kyrgyz Republic 2016

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Goal

Evaluate the perception of local business associations in Kyrgyzstan and their organizational abilities related to creation of enabling conditions for the development of business environment and sustainability of business enterprises.

Why?

Non-governmental organizations, which include business associations, have developed quite well over the past twenty years since the country gained independence. Virtually every business sector has its own association, through which employers seek to resolve issues impeding business development. However, the large number of business associations is not indicative of the quality of these associations, which in turn affects the quality of services and activities related to promotion of business interests and affects the interest of enterprises.

This tool - developed by the International Labour Organization - will help to determine the direction of activities necessary to build capacity of business associations and aims to make recommendations for unification of efforts related to solution of problems relevant to development of business in Kyrgyzstan.

How to use this tool?

The tool will help diagnose and assess the capacity and directions for developments of business associations in terms of service provision, increasing the number and reputation of its members, communications, tackling issues, and creation of new value for businesses.

Capacity under review includes the ability of business associations to develop their own organizational, institutional, and financial sustainability in order to meet the interests and needs of their current and potential members (business companies). The assessment tool also includes aspects related to strategic leadership, staffing, infrastructure, technology and financial resources, process management, quality of services, networks and communication with the business community, as well as transparency, sustainable development, and accountability.

The tool includes questions for companies that are members of business associations and for those which are NOT part of associations, but perhaps plan to join.

It consists of two sections:

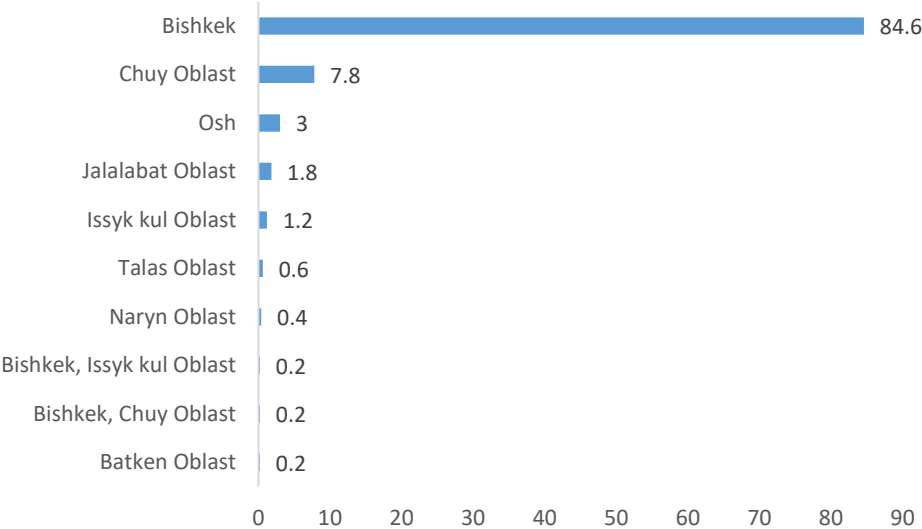
- (1) GENERAL SECTION - COMPANY INFORMATION,
- (2) ASSESSMENT OF THE ROLE, ACTIVITIES AND SERVICES OF BUSINESS ASSOCIATIONS IN RELATION TO SUPPORT OF BUSINESS ENTERPRISES.

This assessment can be carried out both by external consultants or by business associations themselves (subject to participation of competent evaluation staff).

PART 1: GENERAL INFORMATION ABOUT THE COMPANY

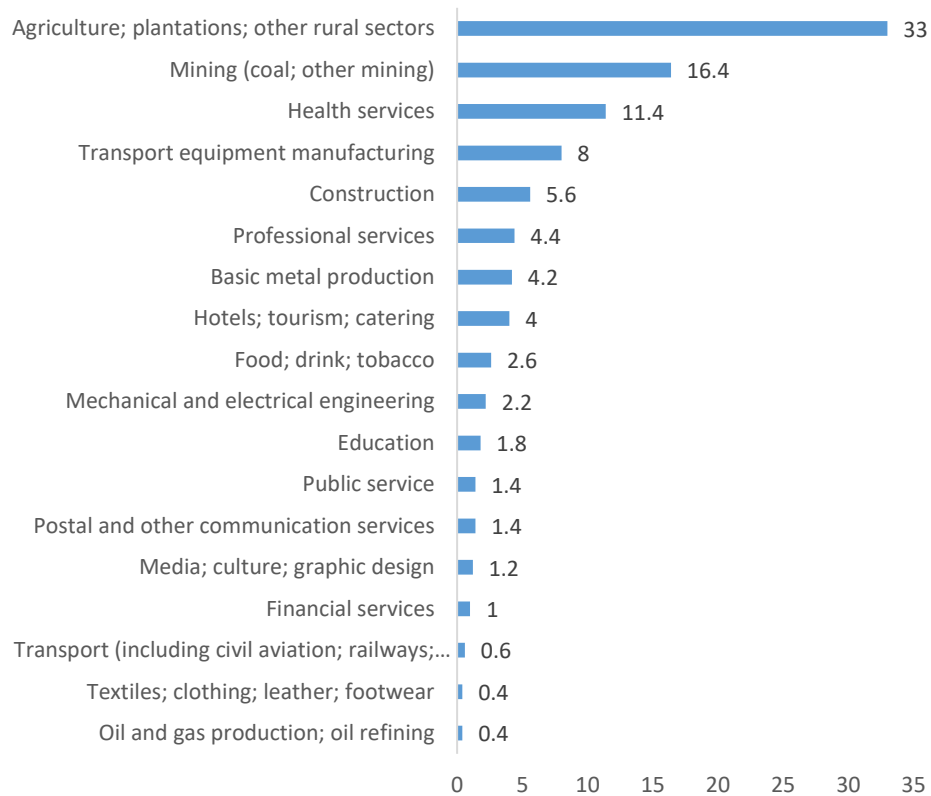
Total number of companies involved in the survey was 500. Of that number, the largest share is from Bishkek (84.6%), followed by Chuy (7.8%) and Osh (3%). Other regions are involved but represented by less than 2% of companies.

Graph 1: Company location



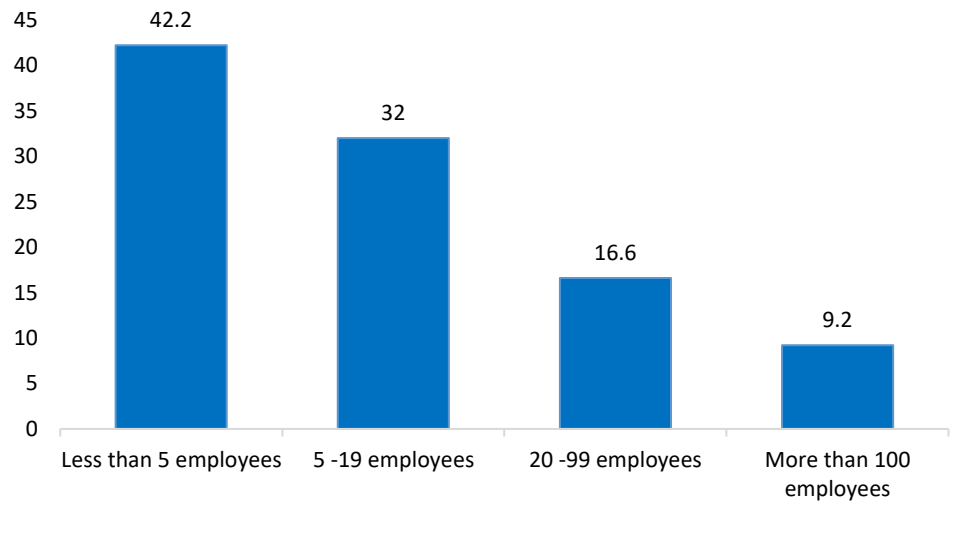
The largest portion of companies in the sample is from agriculture, plantation and other rural sectors (33%) followed by the mining sector (16.4%). Companies from health services sector have a share of 11.4% and transport equipment manufacturing sector 8%. Other sectors are represented by 5% of companies except from construction sector which share is 5.6%.

Graph 2: Sector of the companies



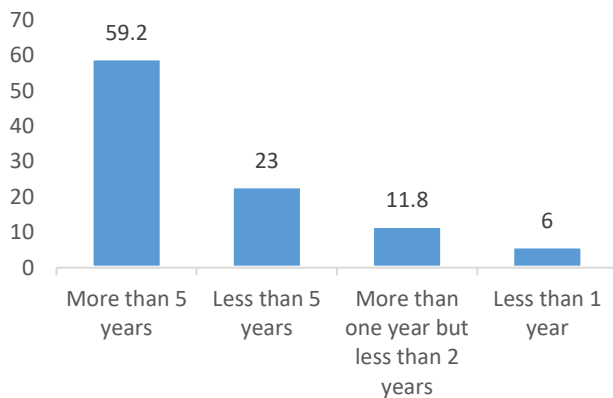
Majority of companies have less than 5 employees (42.2%), 32% of companies have from 5 -19 employees and 16.6% 20-99 employees. Companies with more than 100 employees have the lowest share of 9.2% in the sample. On the other hand, 96% of companies are private owned companies, followed by 2% state owned and 1.8% mixed owned companies while 0.2% said something else.

Graph 3: Number of employees

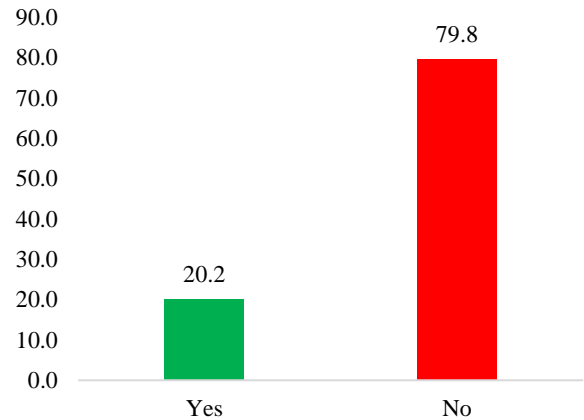


Majority of companies exist more than 5 years and this indicate that sample is well created in a way to receive answers from the companies that have market experience. Of the total number of companies 59.2% exist more than 5 years, 23 less than 5 and more than 2 years with only 6% operating less than one year.

Graph 4: How long company exist

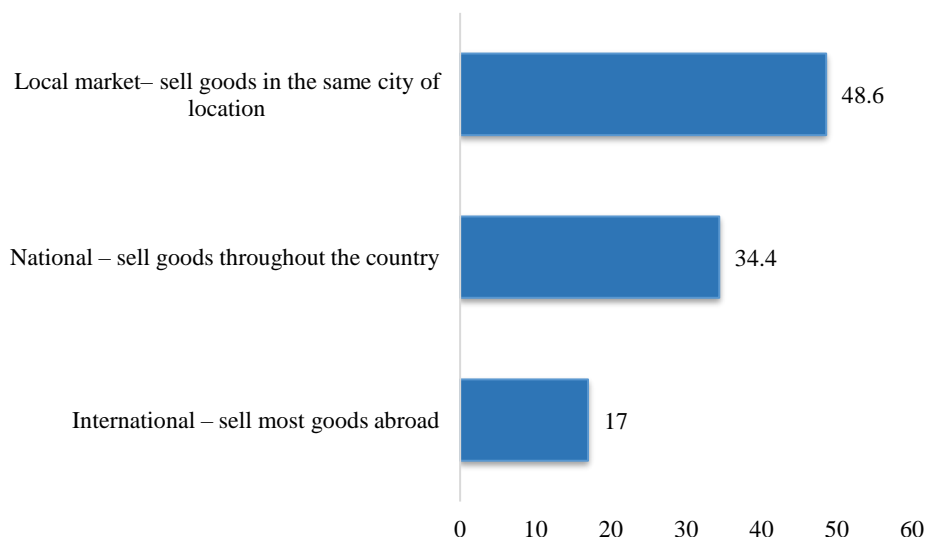


Graph 5: Is the company part of a larger company? (branch office, department)



Almost 80% of companies (79.8%) is not part of larger companies (branch office, department) in comparison to 20.2% that represent a part of larger company or department, branch office.

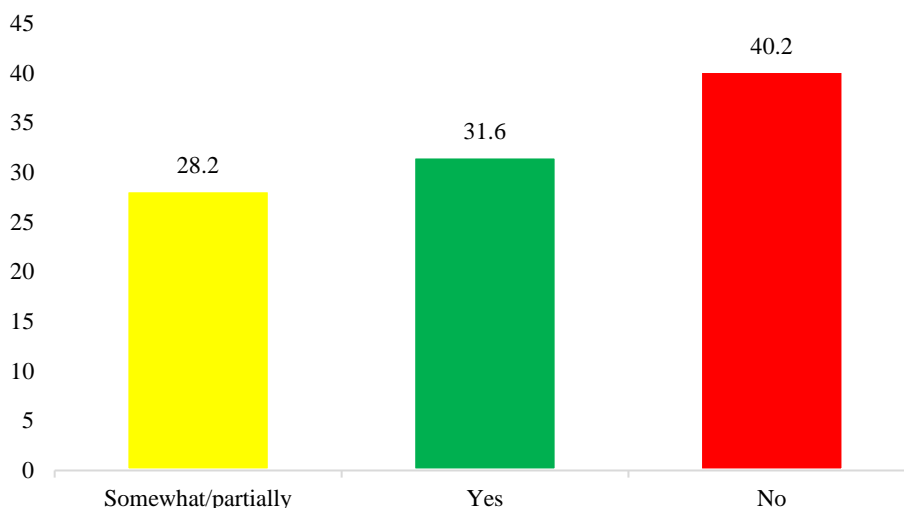
Graph 6: Main market of the company



Almost half of companies (48.6%) see local market – sells goods in the same city of the location, as their primary market of business, 34.4% see national market (operation throughout the whole country) as a main market while 17% see international market as their primary market.

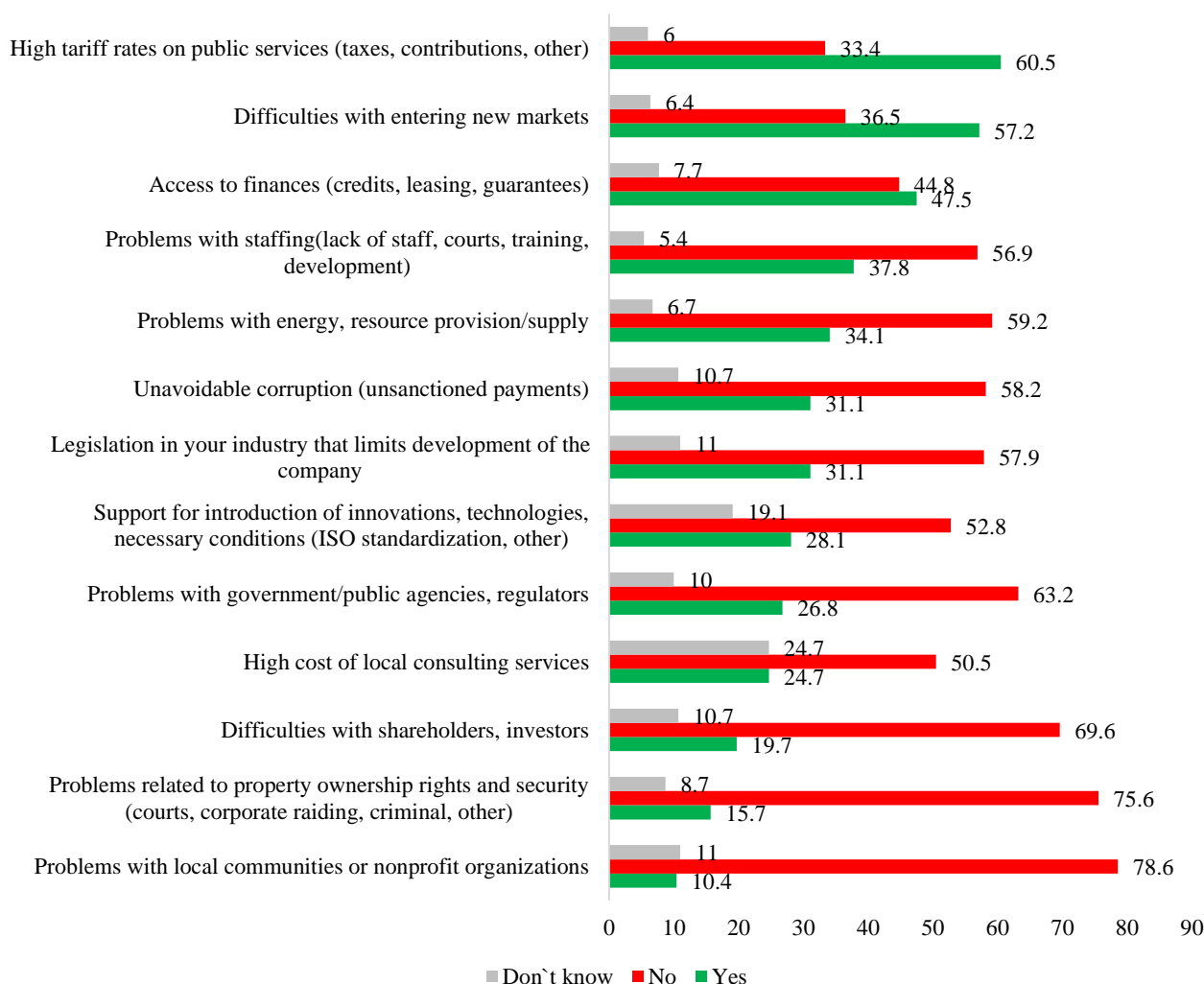
Concerning respondents that took part in the survey, 45.8% are founders (owner, shareholder), followed by 32.4% top managers and 21.8 mid-level managers.

Graph 7: Does your company currently experience difficulties that create risks for sustainability of the company?



As for having experienced current difficulties that create risk for sustainability of the company, 40.2% of companies says they do not have experience difficulties whereas, on the other side, 59.8% of companies have provided positive answer (31.6% with yes as an answer and 28.2% saying somewhat/partially).

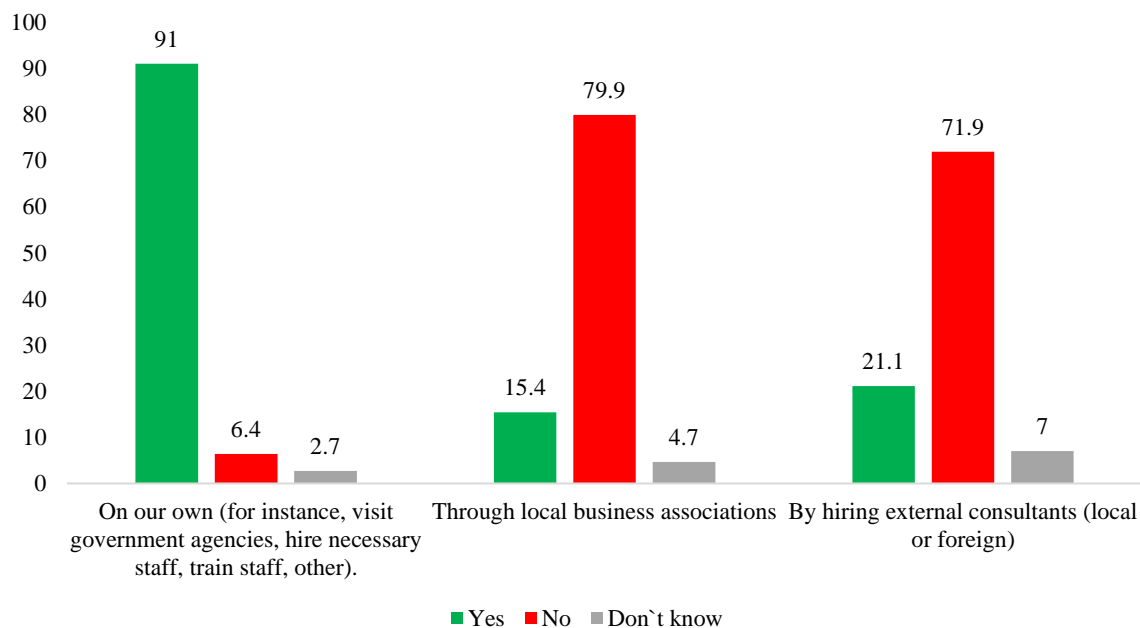
Graph 8: Please indicate which of the following difficulties your company experiences



As for the nature of experiences, most of companies recognized high tariff rates on public services (taxes, contributions, other) as a difficulty in doing business (60.5%) followed by 57.2% having recognized difficulties with entering a new market and access to finance (47.5%). On the other side, majority of companies says problems with local communities or non-profit organizations is not difficult (78.6%), while for 75.6% of companies problems related to property ownership rights and security (courts, corporate raiding, criminal, other) is not deemed to be difficult. As some other problems companies lists the following:

- brain drain,
- high competition,
- high rent,
- lack of money,
- no investors,
- the Customs Unions making it more difficult to operate,
- land registration,
- political instability causing problems with external suppliers,
- low living standards,
- high Social Fund contributions etc.

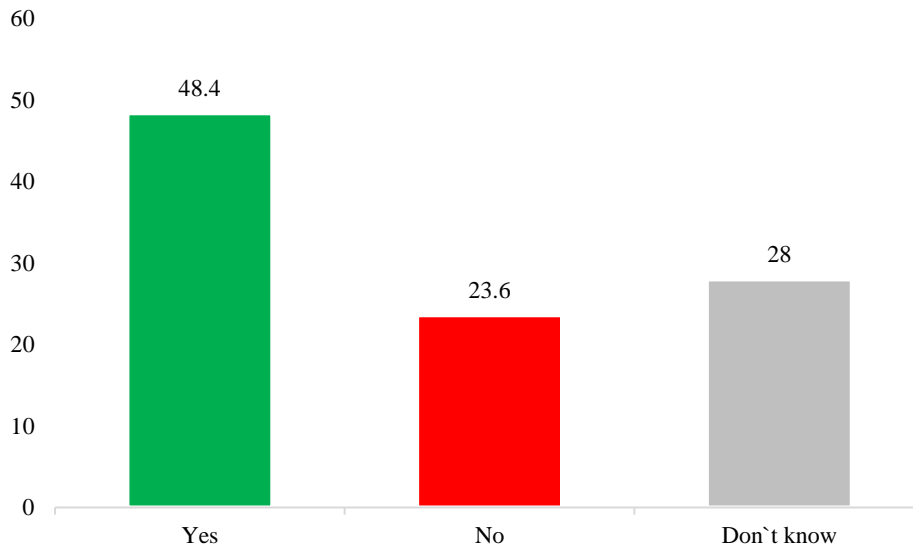
Graph 9: How do you undertake measures to overcome these barriers?



To the question how they undertake measures to overcome barriers mentioned before, almost all companies (91%) say that they overcome it on their own, for instance, by visiting government agencies, by hiring necessary staff, or by training staff ... On the other side, 79.9% of companies say they do not use local business association similar to 71.9% of companies saying they don't want to hire external consultant to overcome barriers.

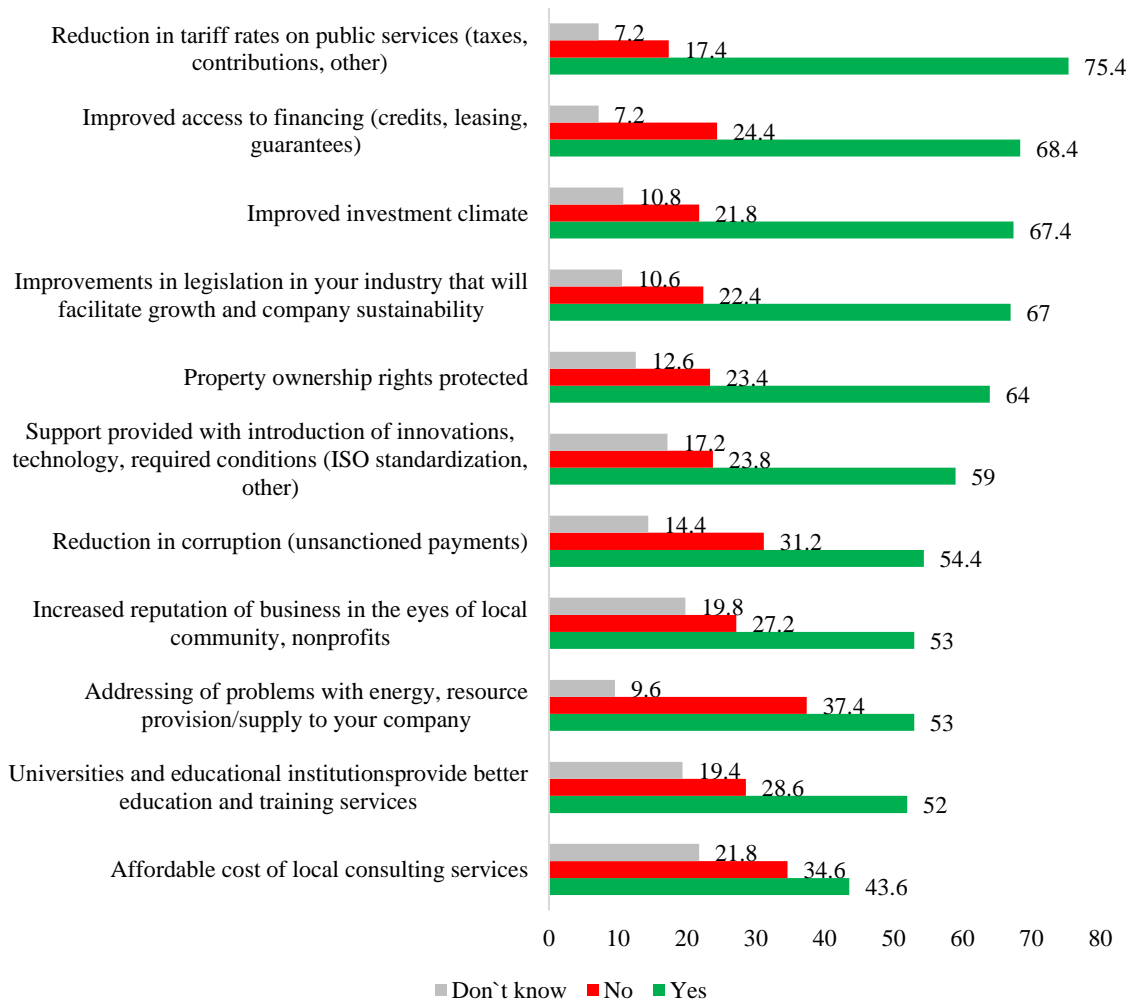
The survey has shown very positive attitude of companies in relation to expansion of business in next 1-3 years. Of the total number of respondents, 48.4% is sure that they will expand their business in following 1-3 years, while the opposite opinion have been shared by 23.6% of companies.

Graph 10: Does the company plan to expand business in the next 1-3 years?



In the following graph, it is seen how companies involved in the survey have recognized factors that could contribute to expansion of business and development. It is worth mentioning that almost each factor proposed by the survey was recognised as very important for further development and business by more than 50% companies.

Graph 11: What factors could contribute to expansion of business and development?



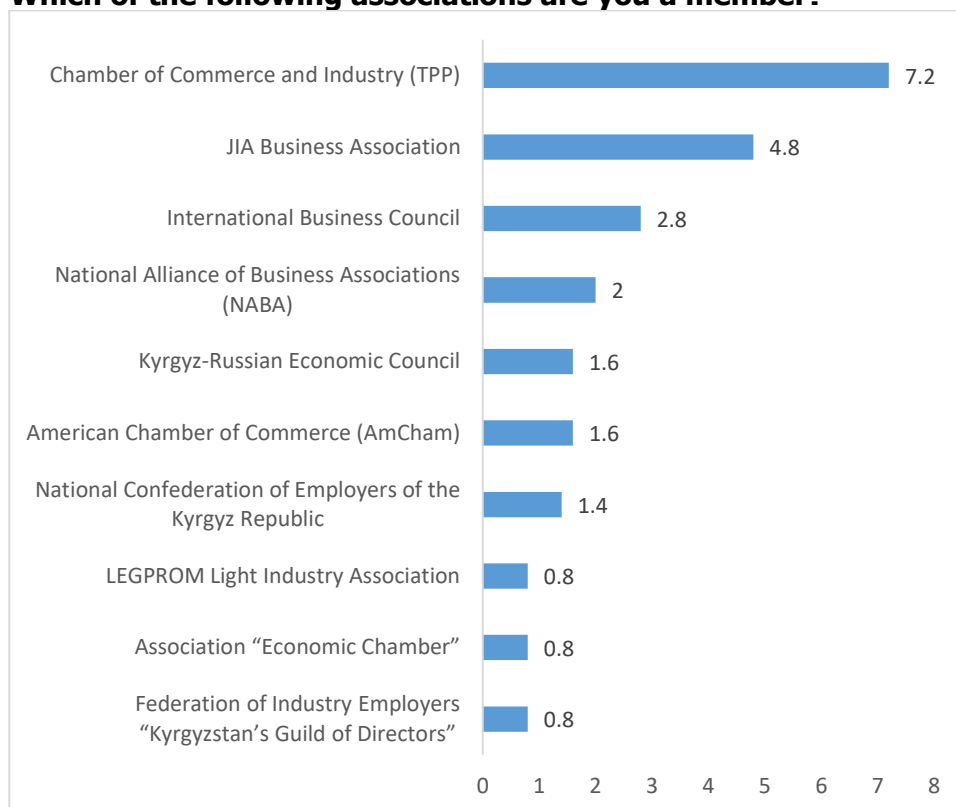
As a main factor for further development and business companies recognize **reduction in tariff rates on public services** (75,4% of companies), then **improved access to financing** (68,4% of companies), followed by **improved investment climate** and **improvement in legislation that will facilitate growth and company sustainability** recognized by 67% and 67,4% of companies, respectively.

Some other measures for improvement of business mentioned by companies were:

- Lower cost of rent of premises
- Better cooperation with international associations, sharing information
- Tax concessions
- Entering local market with investors
- Expansion of sales market
- Stable political situation in the country
- Improved living standards of the population
- Increase responsibility for information sharing
- Improved communication with local communities
- Improved support for small and medium enterprise by State
- State programs for support of business like in Russia and Kazakhstan
- Create a single body, responsible for development of small business funds etc.

Majority of respondents are not members and don't plan to become member of any association (77%) contrary to 23% of companies that are members or plan to join some association.

Graph 12a: Which of the following associations are you a member?



Majority of those respondents that are members of some business association says they are affiliated into Chamber of Commerce and Industry (Torgovo - promyshlennaya Palata-TPP) (7.2%), followed by JIA Business Association (by 4.8%) and International Business Council (2.8% of companies). On the other side, 6% of companies plan to join National Confederation of Employers of Kyrgyz Republic. In

addition, 5.8% of companies mentioned NABA and Kyrgyz-Russian Economic Council and AmCham as a potential associations for joining in.

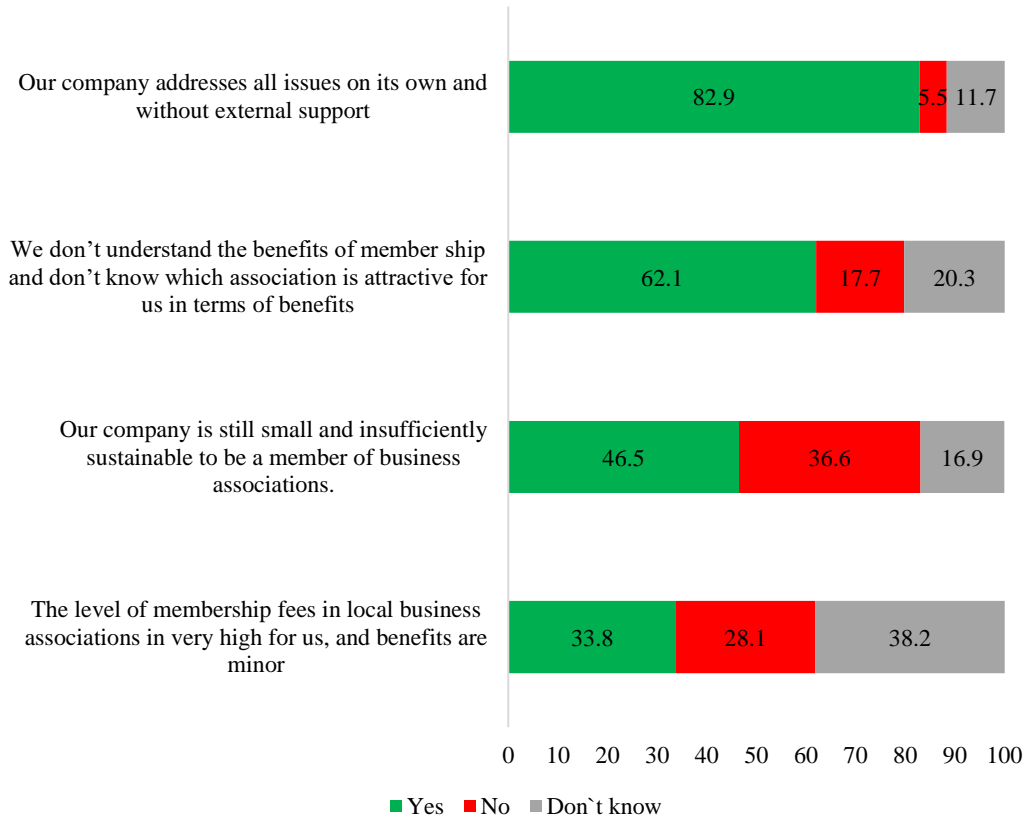
Graph 12b: Which of the following associations are you a member of or plan to join?



To the question "...what is their motivation to participate in different business associations?" companies commented it is due to:

- Access to consulting services
- Access to information
- Possibility of participation in international conferences
- Promotion
- Create opportunities for business development
- Protection of businesses rights
- Lobby on company interests and make amendments to legislation
- Networking
- Access to documentation, and communications with State agencies
- Education
- Sharing information
- Knowledge base services

Graph 13: If “company is not member and do not plan”, please specify your reasons for this

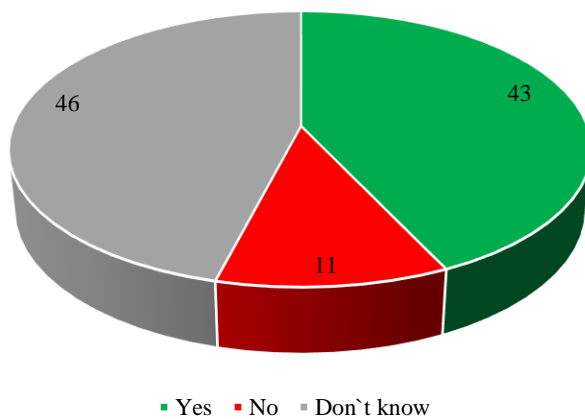


By contrast, companies that are not members of any association and don't plan to join say the main reason for such attitude is that they addresses all issues on their own and without external support (82.9%) followed by their non-understanding of the benefits of membership in general nor the benefits of joining a particular association (62.1%).

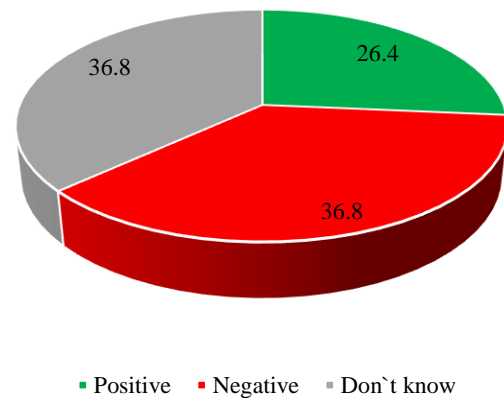
PART 2: PERCEPTION OF THE ROLE, ACTIVITIES AND SERVICES OF BUSINESS ASSOCIATIONS IN SUPPORT OF ENTERPRISES.

Almost half of respondents (46%) don't know if the business associations influence creation of favorable condition for enterprises. On the other hand, 43% of companies think that they have effect on creation of favorable conditions for enterprises with only 11% claiming the opposite.

Graph 14: Do the activities of business associations have effect on creation of favorable conditions for enterprises?



Graph 15: What do you feel about compulsory membership in business associations?

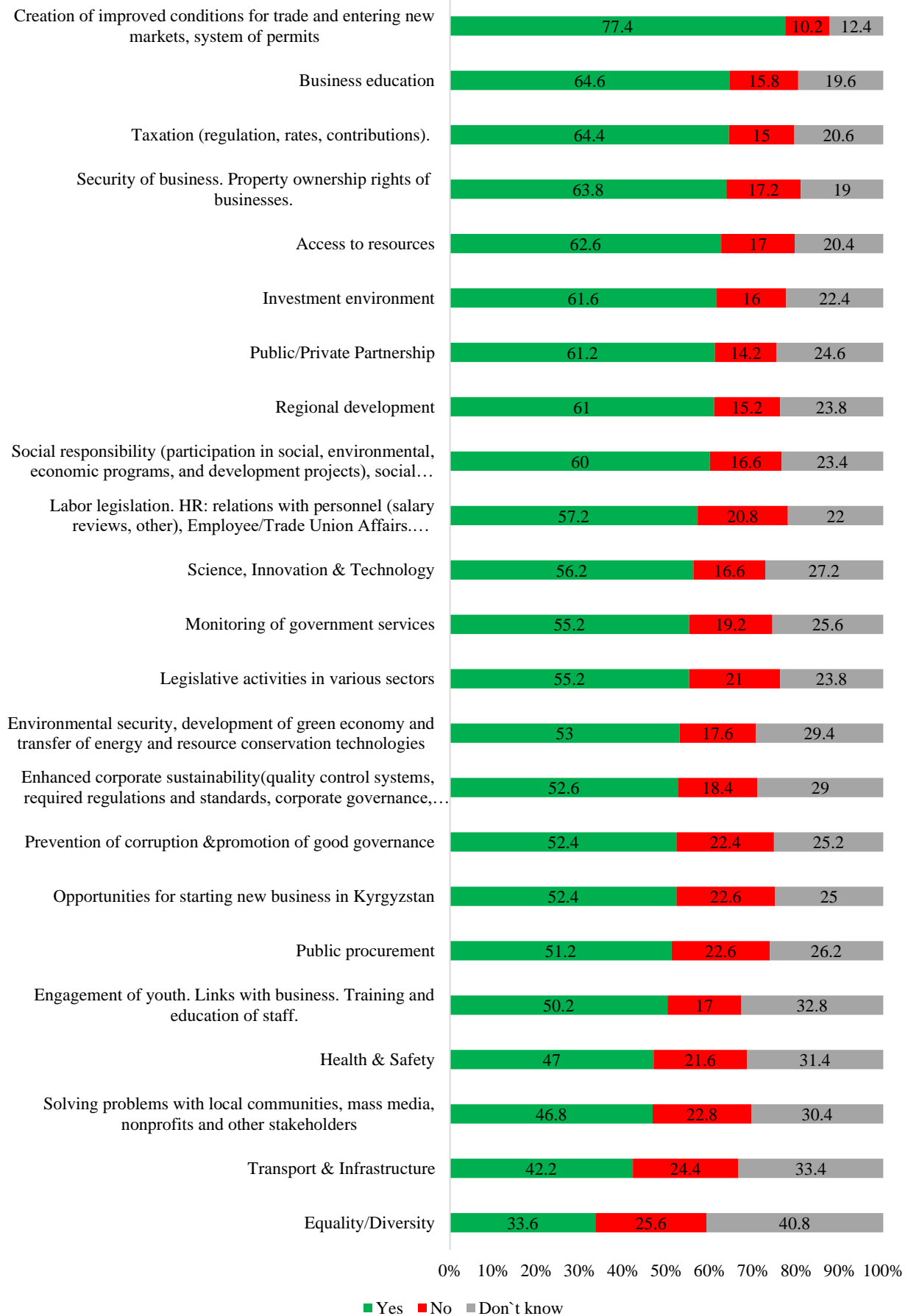


Concerning compulsory membership, majority of companies have either negative attitude or don't have an opinion (36,8% of companies in both cases). Only 26.4% have positive opinion related to compulsory membership in business organizations.

As a reason for compulsory membership or not almost all mentioned that companies should have freedom to choose where they want to be members.

To the question "In what areas is support from business associations important and tangible?" majority of companies (77.4%) says **creation of improved conditions for trade and entering new markets, system of permits**, 64.6% of companies name **taxation (regulation, rates, contributions) and business education** while for 63.8% it is **security of business and property ownership rights of businesses**. **Access to financial resources** is important for 62.6% of companies in addition to **investment environment** significant for 61.6% companies. More than 60% of companies list **public/private partnership, regional development and social responsibility (participation in social, environmental, economic programs, and development projects), social policy** as important areas of information to be shared by business associations. In contrast, less important areas for companies are: **equality/diversity** (33.6%), **transport & infrastructure** (42.2%), **solving problems with local communities, mass media, non-profits and other stakeholders** (46.8%) and **health & safety** (47%).

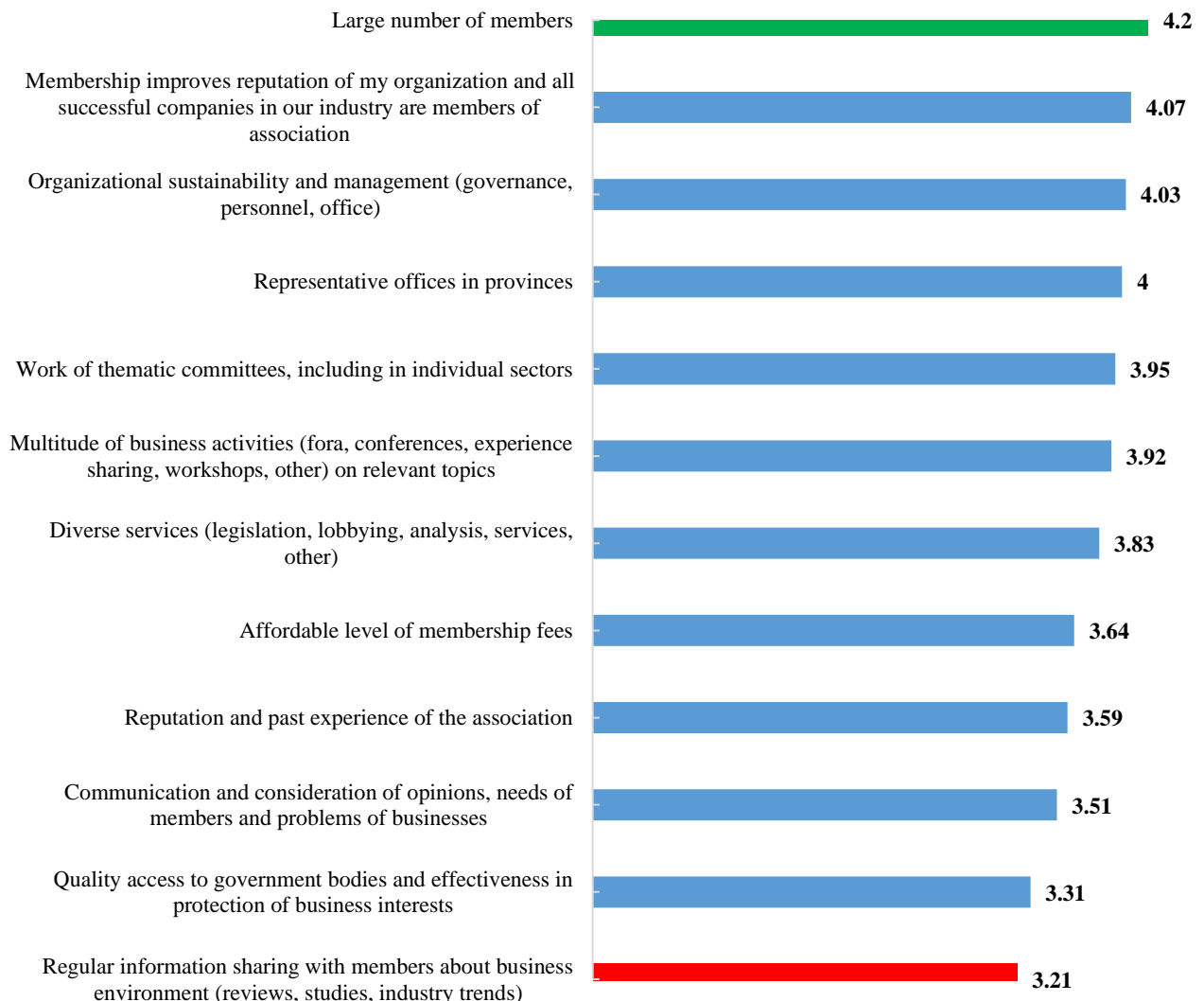
Graph 16: In what areas is support from business associations important and tangible?



In addition to those, companies highlight the following important areas to be covered by support from business associations:

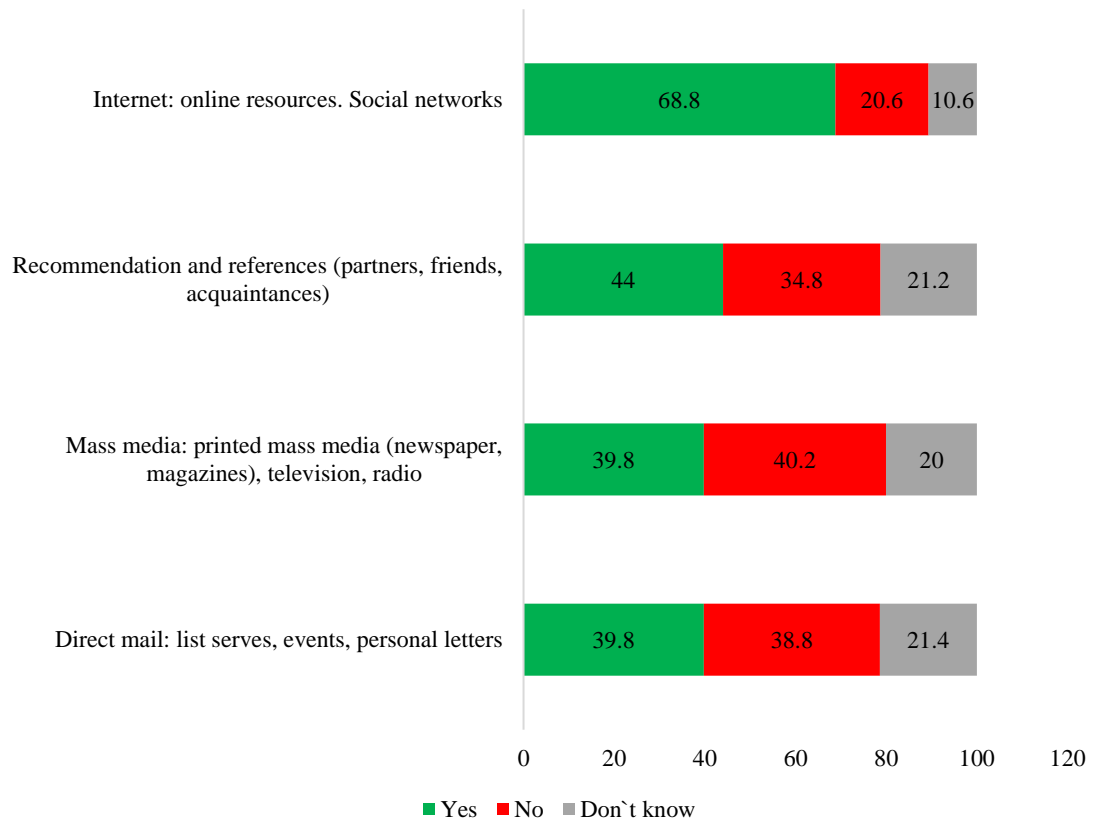
- Associations could do a lot, but they themselves lack resources,
- Distribution of resources
- Provision of timely information on upcoming events
- Providing opportunities for staff skills improvement
- Improving skills of technical staff and managers
- More studies and qualitative analyses of products development
- Observance of legal acts and contractual obligations
- Lobbying
- Sharing information
- Investment projects
- Entering new markets.

Graph 17: What factors decide if your company will decide to join the association?



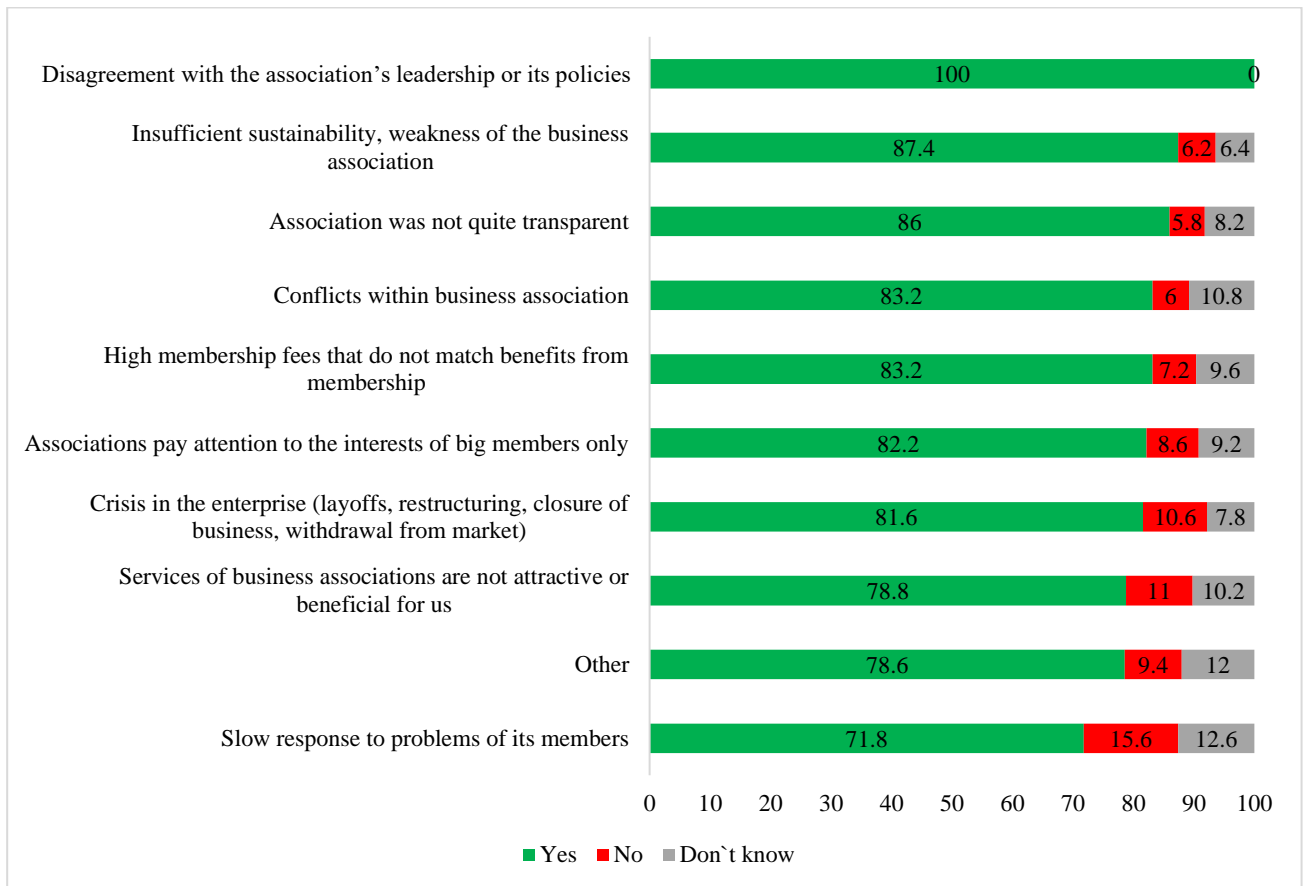
Commenting on how company receive information on the activities of business associations most of them (68,8%) say the main tool is Internet: online resources and social networks, followed by recommendation and reference (partners, friends etc.) by 44% of companies. Ultimately, 39.8% of companies mention mass media: printed mass media, television and radio and also direct mail.

Graph 18: How does your company receive the information on the activities of business associations?



The most important reason for ending membership in business association for 87.4% of companies is insufficient sustainability and weakness of business associations; 86% of companies recognize that association is not quite transparent, while 83.2% recognize conflict with other business associations and high membership fees that do not match benefit from membership.

Graph 19: For what reasons your company would have stopped its membership in the business associations?

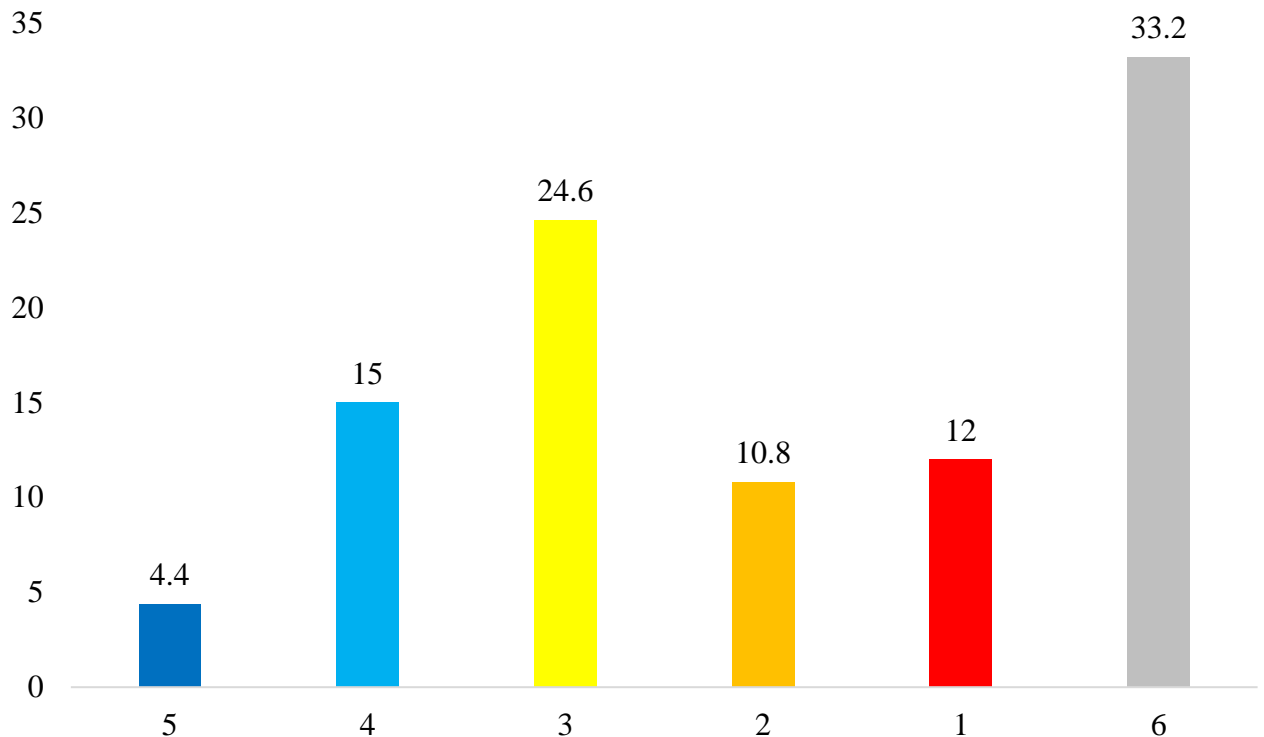


Companies provide the average rate 2.84 for usefulness and effectiveness of all business associations in Kyrgyzstan. It is clear that companies have divided opinion of the usefulness and effectiveness of business associations in Kyrgyzstan.

As other reasons for leaving the membership in association companies mentioned:

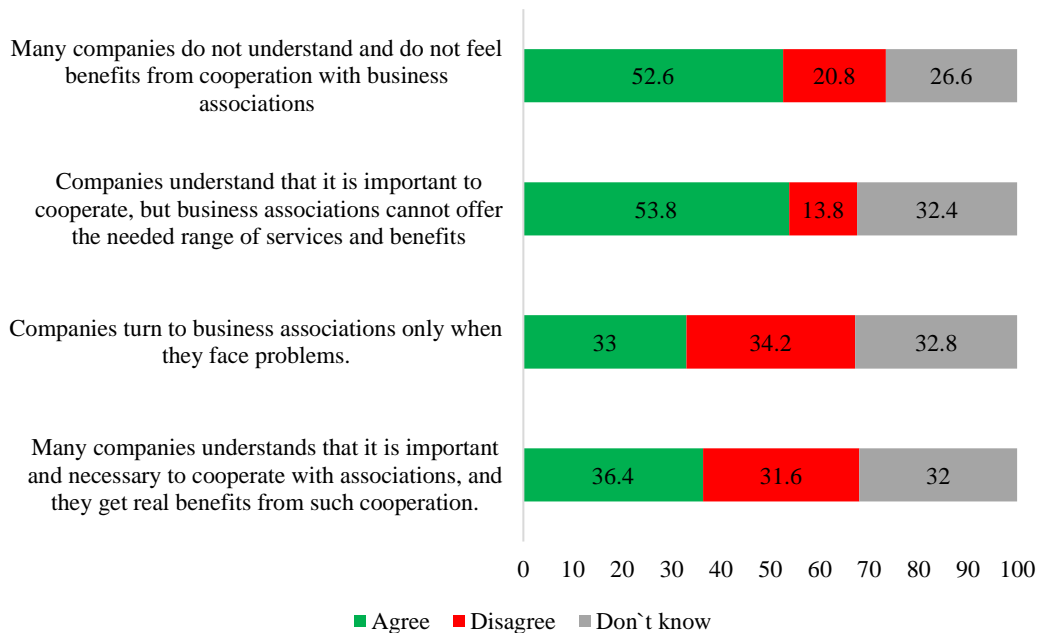
- Corruption in business associations
- there is no proper communication with members
- There is no transparency of work
- Providing invalid information ect.

Graph 20: Please rate overall usefulness and effectiveness of all business associations in Kyrgyzstan on a five-point scale (where 1-low effectiveness, 5 – high usefulness and effectiveness)



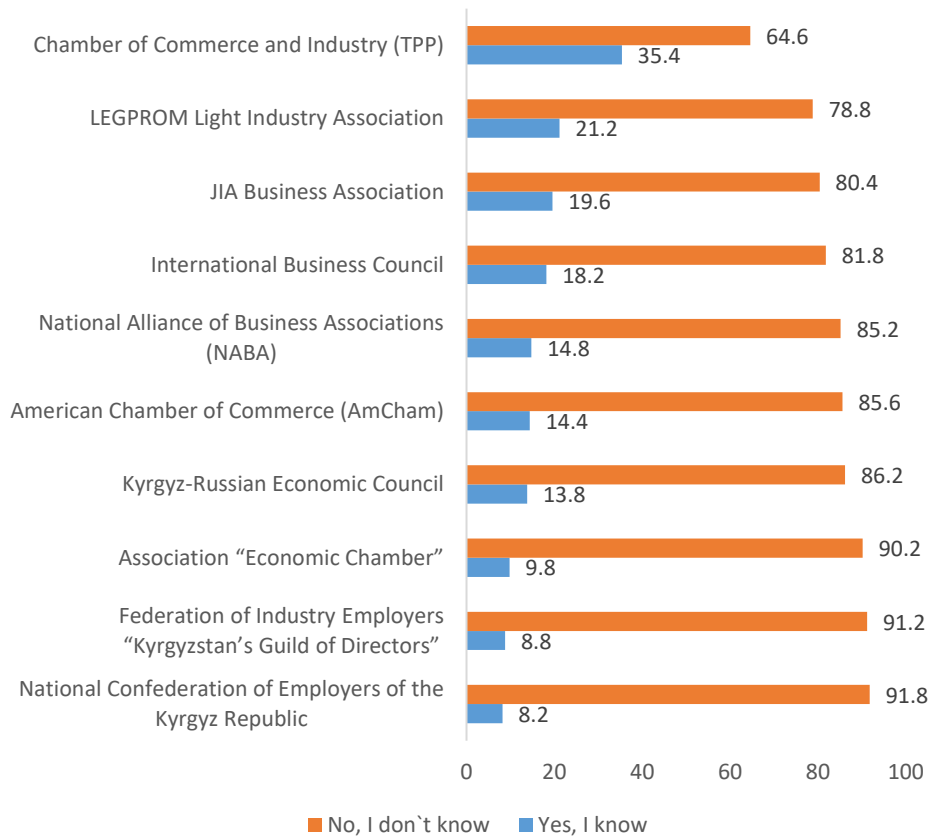
The largest number of respondents say they don't know how to rate usefulness and effectiveness of all business association (33.2%), 24,6% of companies rated it 3 while 12% rate it 1, meaning very low effectiveness. On the other side, associations are rated 5 by merely 4.4% of companies.

Graph 21: Do you agree with the following statements?



Most of companies agree with the sentence "companies understand that it is important to cooperate, but business associations cannot offer the needed range of services and benefits". It is positively regarded by 53.8% of survey participants. Similarly, 52.6% of companies agree with the sentence "many companies do not understand and do not feel benefits from cooperation with business associations". Most companies (34.2%) disagree with the sentence that companies turn to business associations only when they face problems.

Graph 22: Are you aware of the activities of the following business associations in Kyrgyzstan?



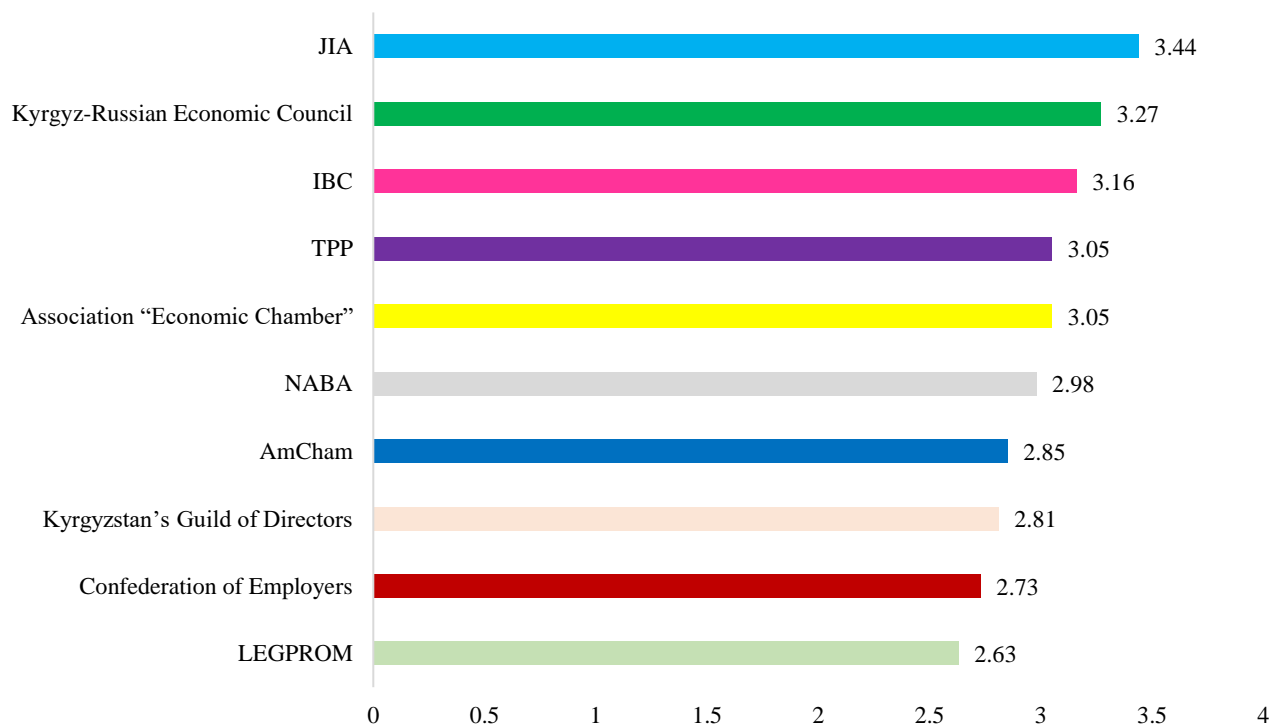
The companies recognize Chamber of Commerce and Industry (TPP) as an association they are most familiarized with their activities. It is recognized by 35.4% of companies. 21.2% of companies are aware of activities of the Association LEGPROM (21.2%) while JIA Business Association activities are recognized by 19.6% of companies.

Graph 23: How do you rate the range of services provided and its relevance to your business needs?



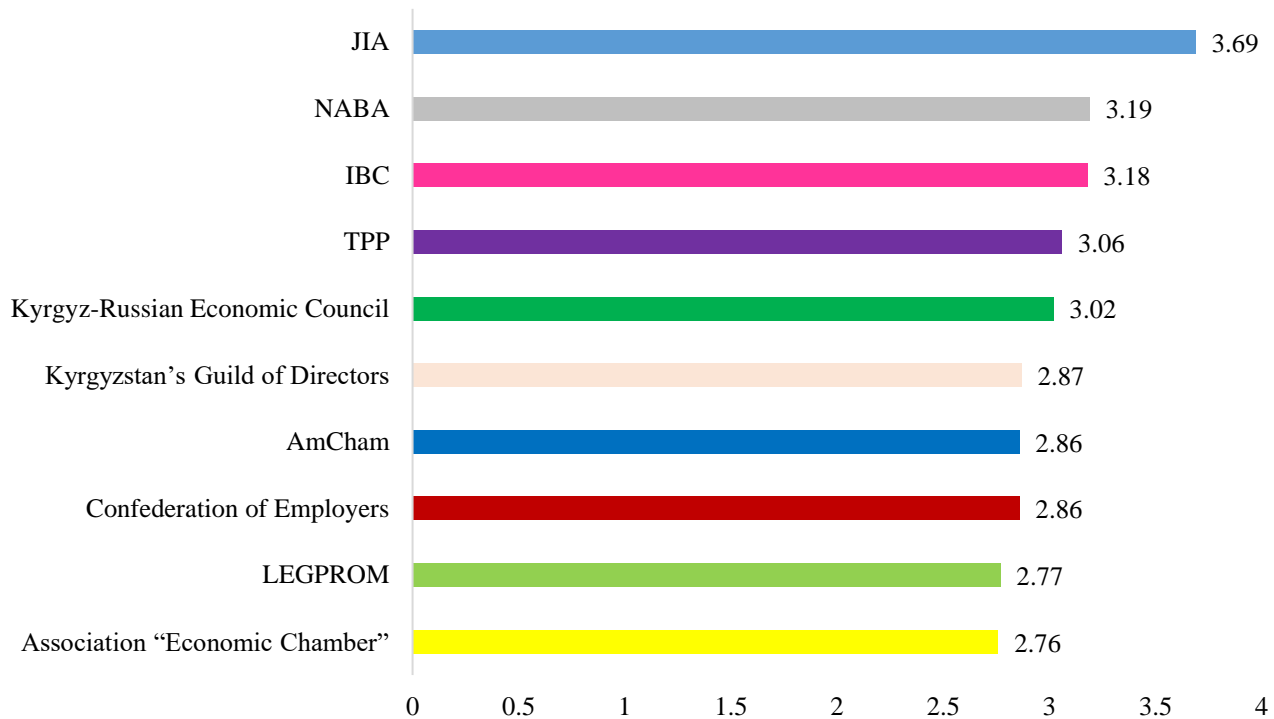
JIA got the highest average rate (3.68) regarding the range of services provided and its relevance to the business needs. Moreover, the following associations got rates higher than 3: IBC (3.19), Kyrgyz-Russian Economic Council (3.18) and TPP (3.1). Association "Economic Chamber" and Confederation of Employers got the lowest rate of 2.81.

Graph 24: How do you rate the Organization's understanding of your needs



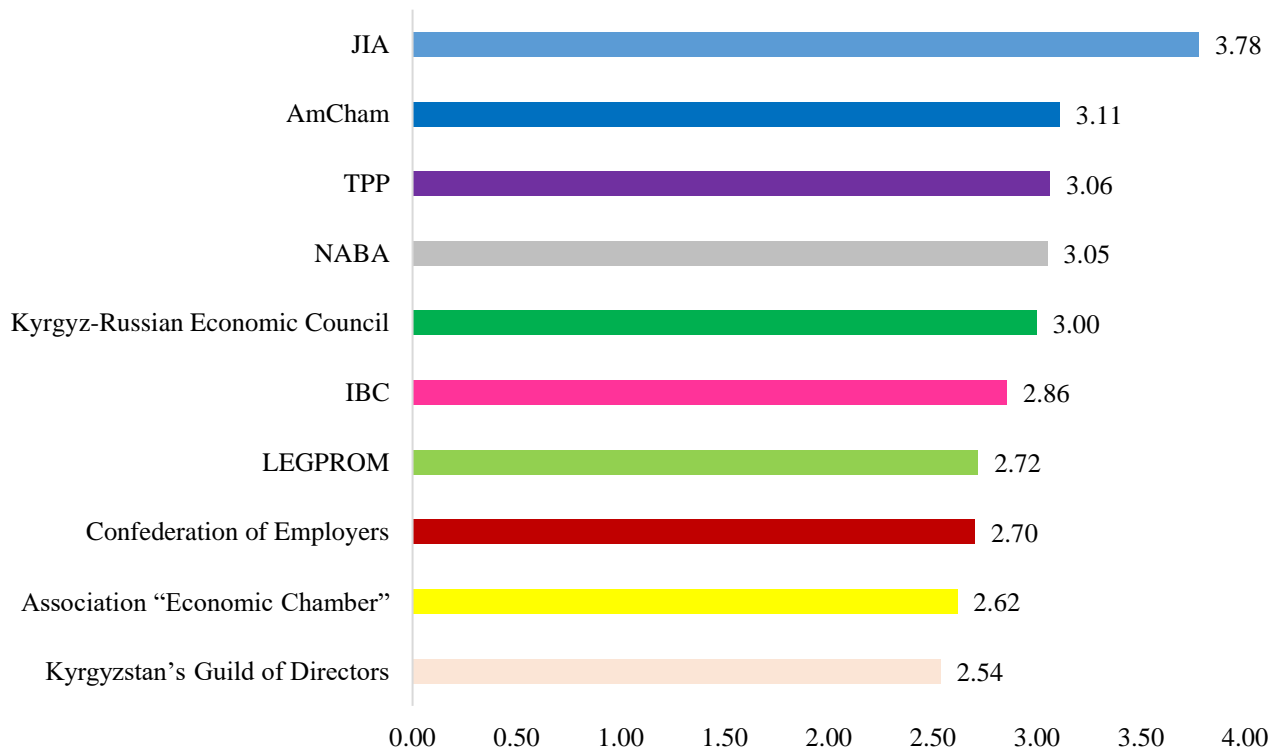
As for the opinion of companies related to understanding of their need by business organizations, again JIA reached the highest score (3.44), followed by Kyrgyz-Russian Economic Council (3.27) and IBC (3.16). The lowest rate is reached by LEGPROM (2.63), Confederation of Employers (2.73) and Kyrgyzstan's Guild of Directors.

Graph 25: How do you rate the services offered by the Organization



Companies had opportunity to rate services of business associations. Based on the average rate the highest score is provided to JIS (3.69). Following JIS, organizations with the score higher than 3 are: NABA (3.19), IBC (3.18), TPP (3.06) and Kyrgyz-Russian Economic Council (3.02).

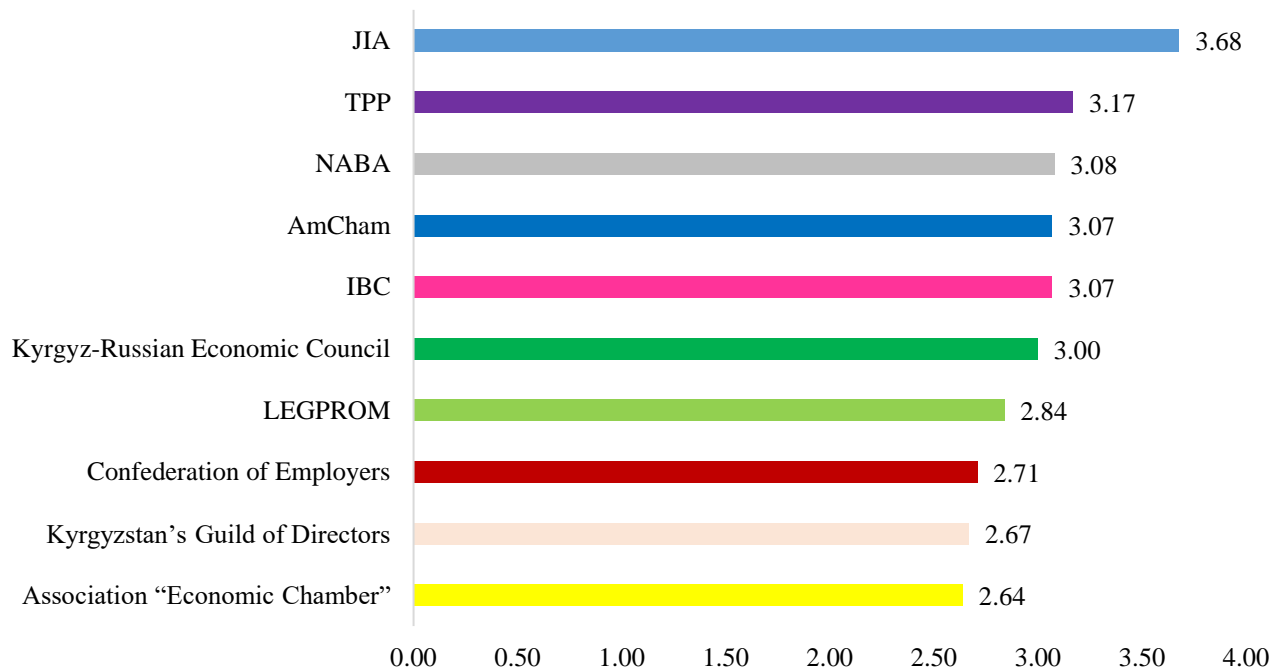
Graph 26: How do you rate the speed and the effectiveness of the Organization's response to queries and problems



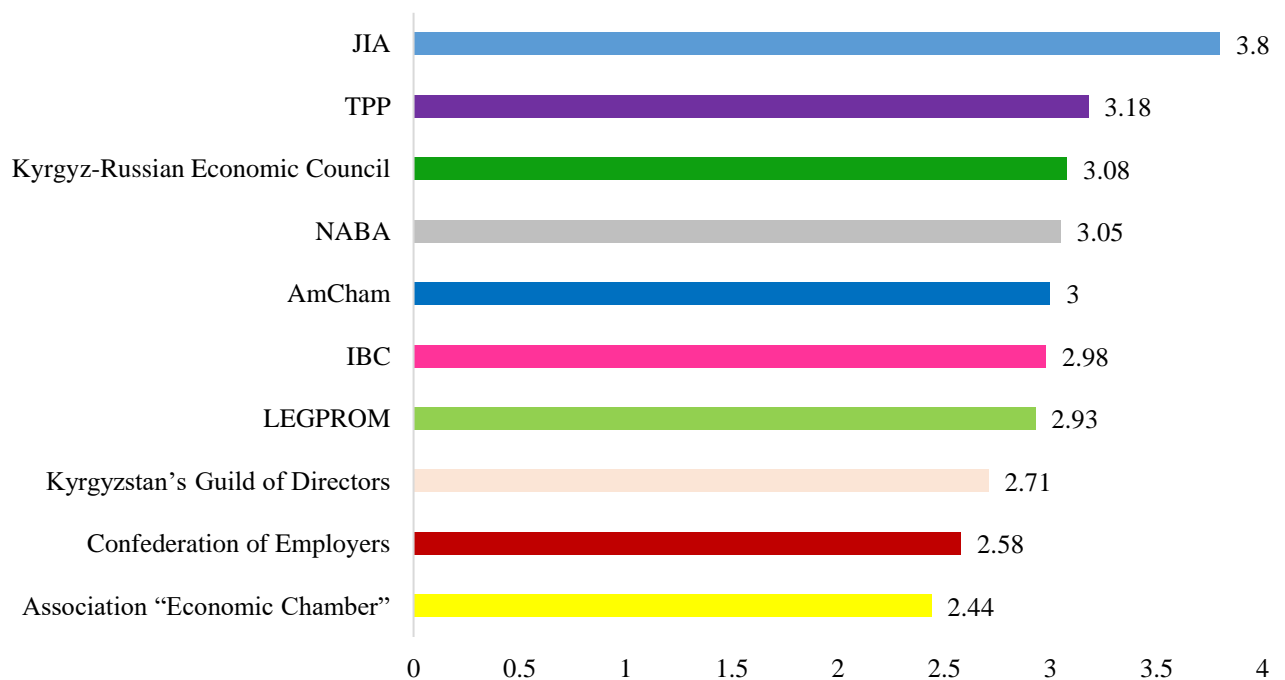
JIA got the highest score (3.78) in relation to the speed and the effectiveness of the organization's response to queries and problems. In addition, associations that got results higher than 3 are: Am

Cham, Kyrgyz-Russian Economic Council, TPP and NABA. On the other side, Kyrgyzstan’s Guild of Directors had the lowest rate of 2.54.

Graph 27: How do you rate speed and effectiveness of the Organization’s response to policy issues

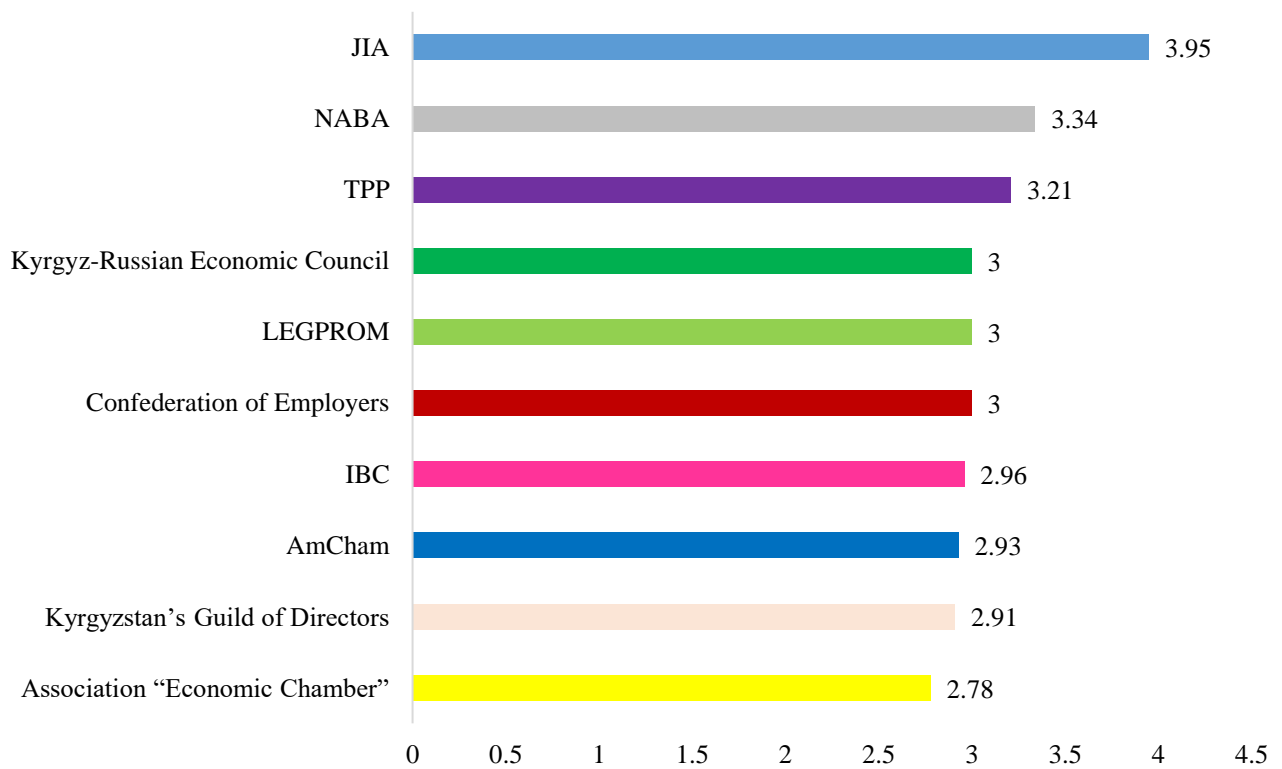


Graph 28: How do you rate the Organization’s anticipation, initiative, and effectiveness of actions on relevant policy issues?



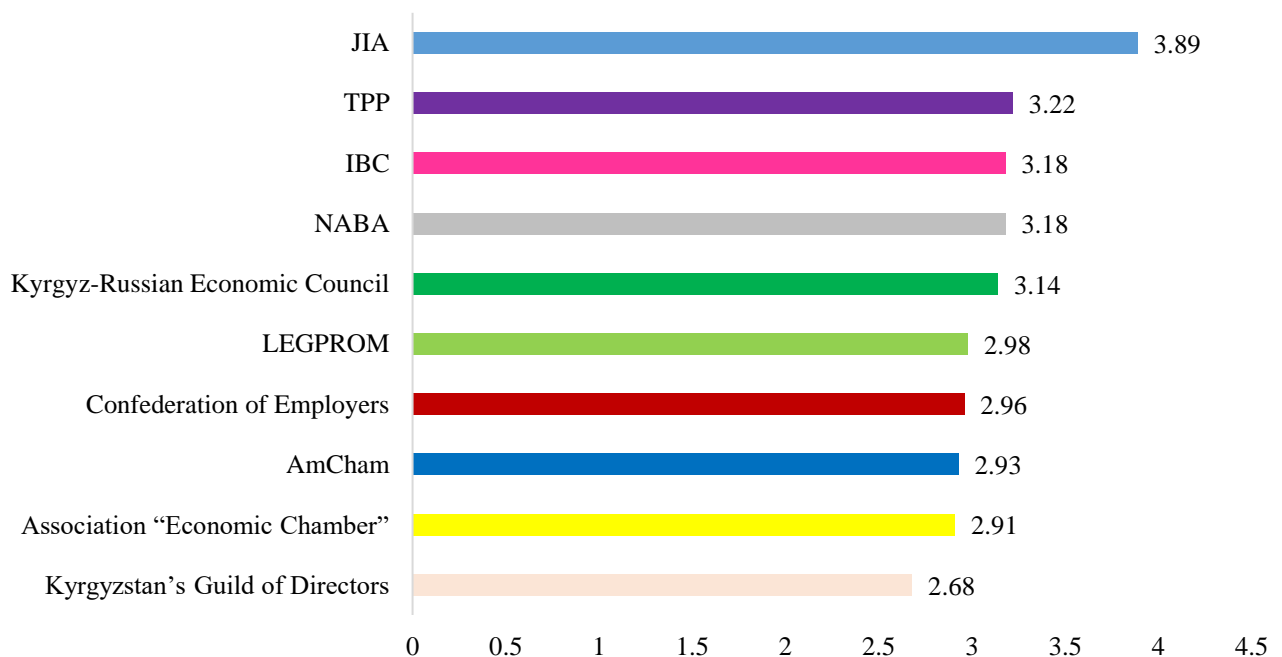
Organization’s anticipation, initiative, and effectiveness of actions on relevant policy issues were also a topic of the survey. Again, JIS got the highest rate (3.8). It is clear that related to this topic, more than 60% of associations were rated higher than 3. On the other side, the lowest rate is provided to Association “Economic Chamber” (2.44) and Confederation of Employers (2.58).

Graph 29: How do you rate the Organization’s value for money?



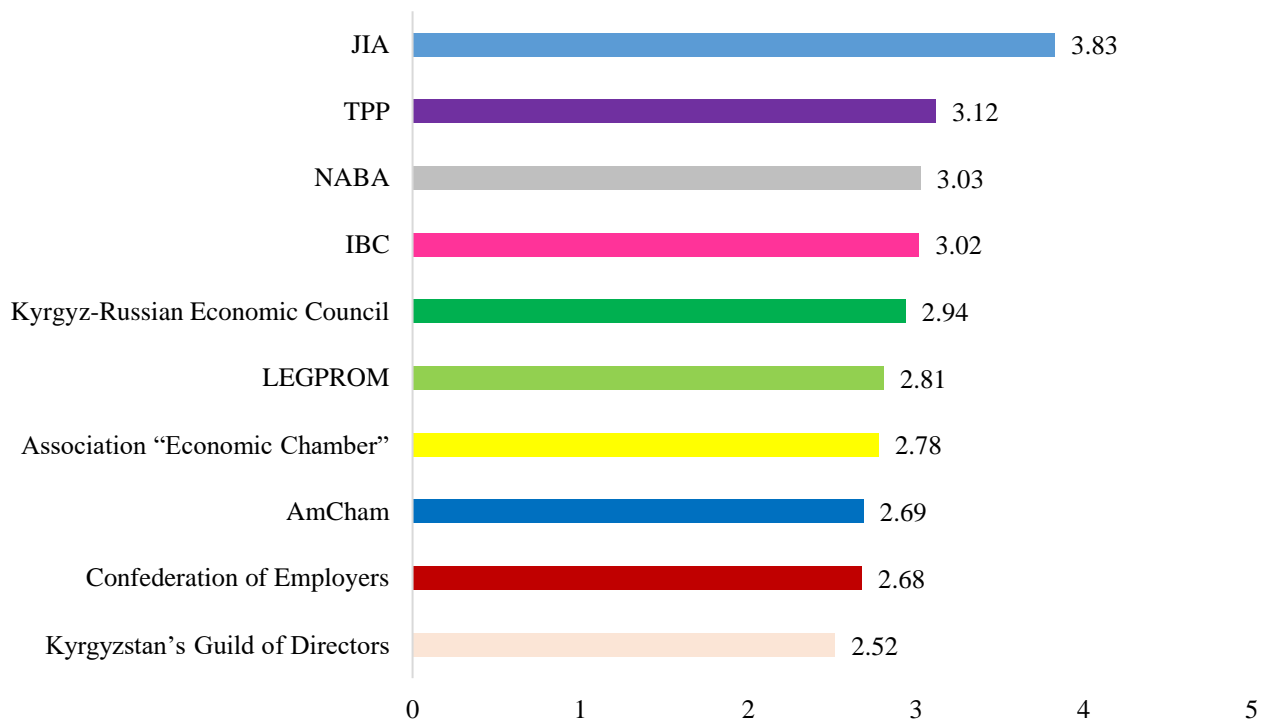
Almost all associations were rated more than 3 in this regard. The highest score is again provided to JIS (3.95) and also NABA (3.34). The association "Economic Chamber" earned the lowest rate - 2.78 followed by IBC and Kyrgyzstan's Guild of Directors that were rated lower than 3.

Graph 30: How do you rate the Organization's leadership in business policy formulation?



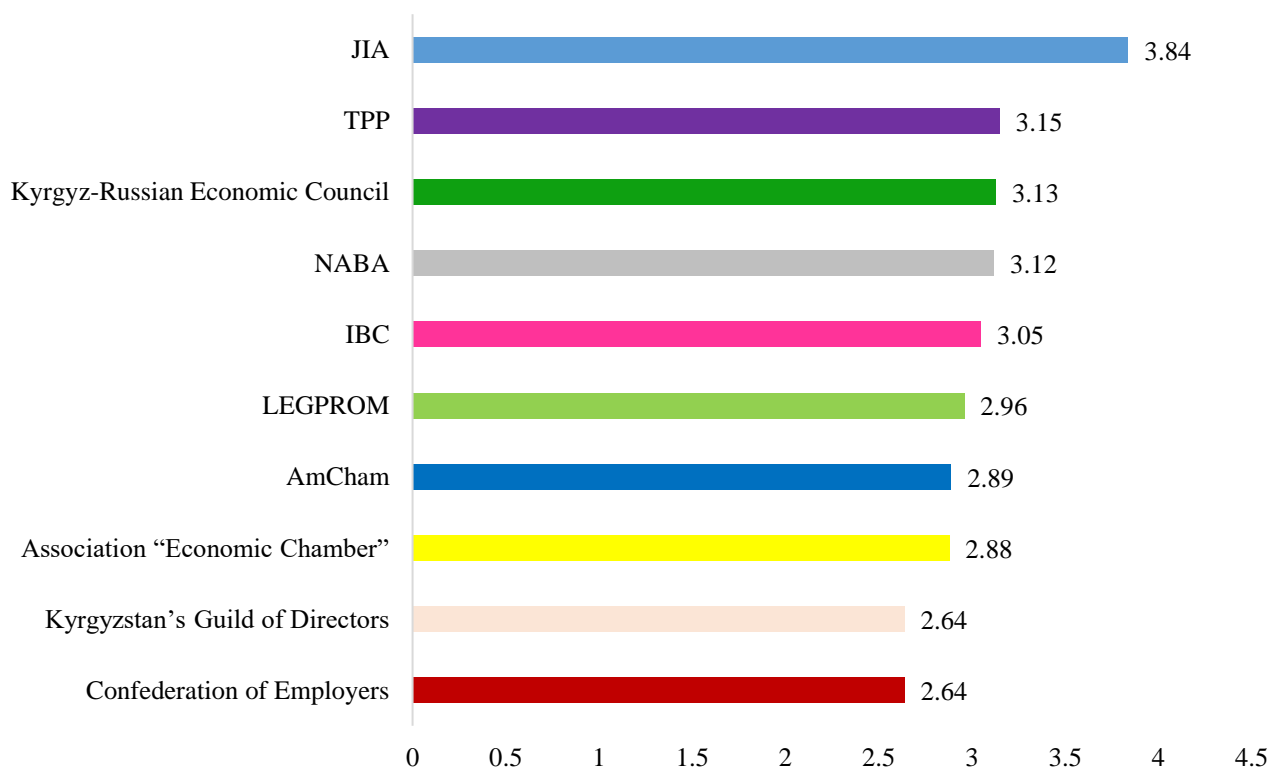
JIA association again got the highest rate in regard to leadership in business policy formulation (3.89), followed by TPP that got 3.22, IBC and NABA that both scored 3.18. The lowest rated were the Kyrgyzstan's Guild of Directors (2.68) and the association "Economic Chamber" (2.91).

Graph 31: How do you rate the Organization’s work with you on improvement of the efficiency and effectiveness?



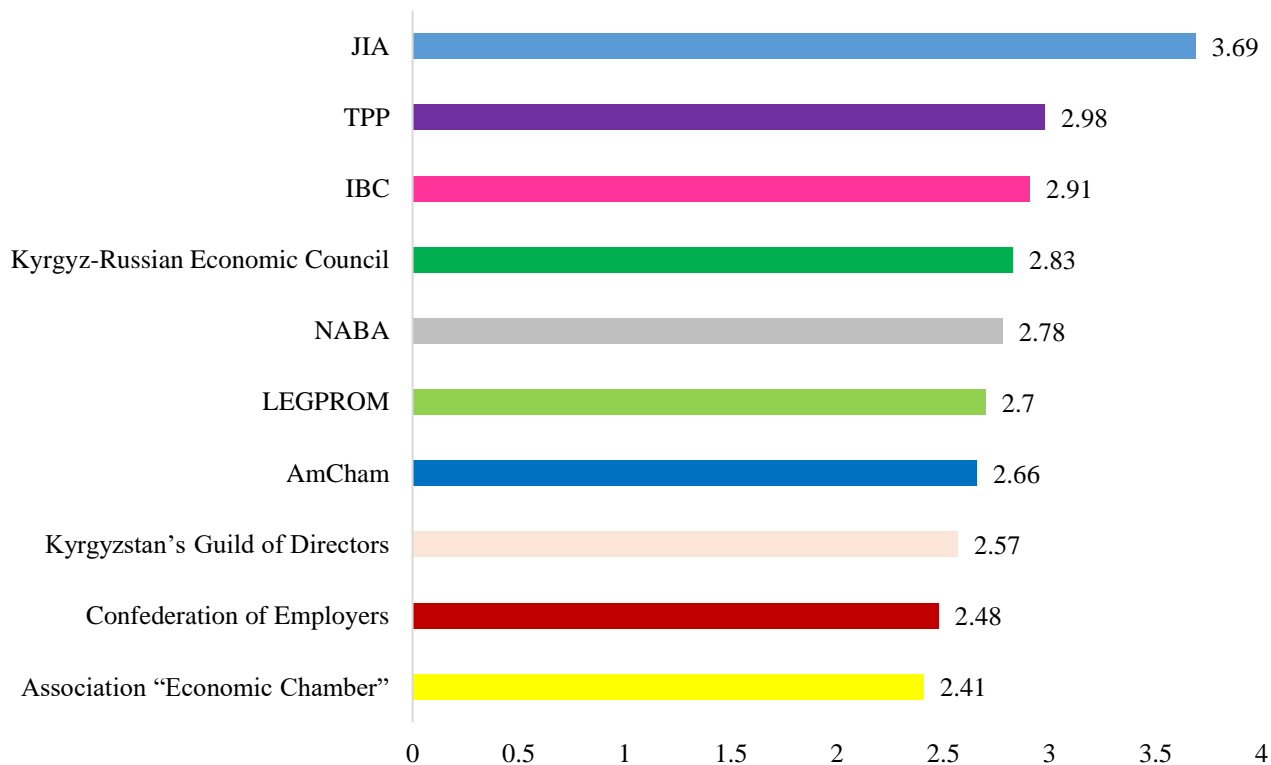
Only 4 organizations got rates higher than 3 regarding to their work with companies on improvement of efficiency and effectiveness: JIA 3.83, TPP 3.12, NABA 3.03 and IBC 3.02. the lowest rates were reached is reached in case of Kyrgyzstan’s Guild of Directors (2.52), Confederation of Employers (2.68) and AmCham (2.69).

Graph 32: How do you rate the Organization’s support and understanding of the small business’s needs?



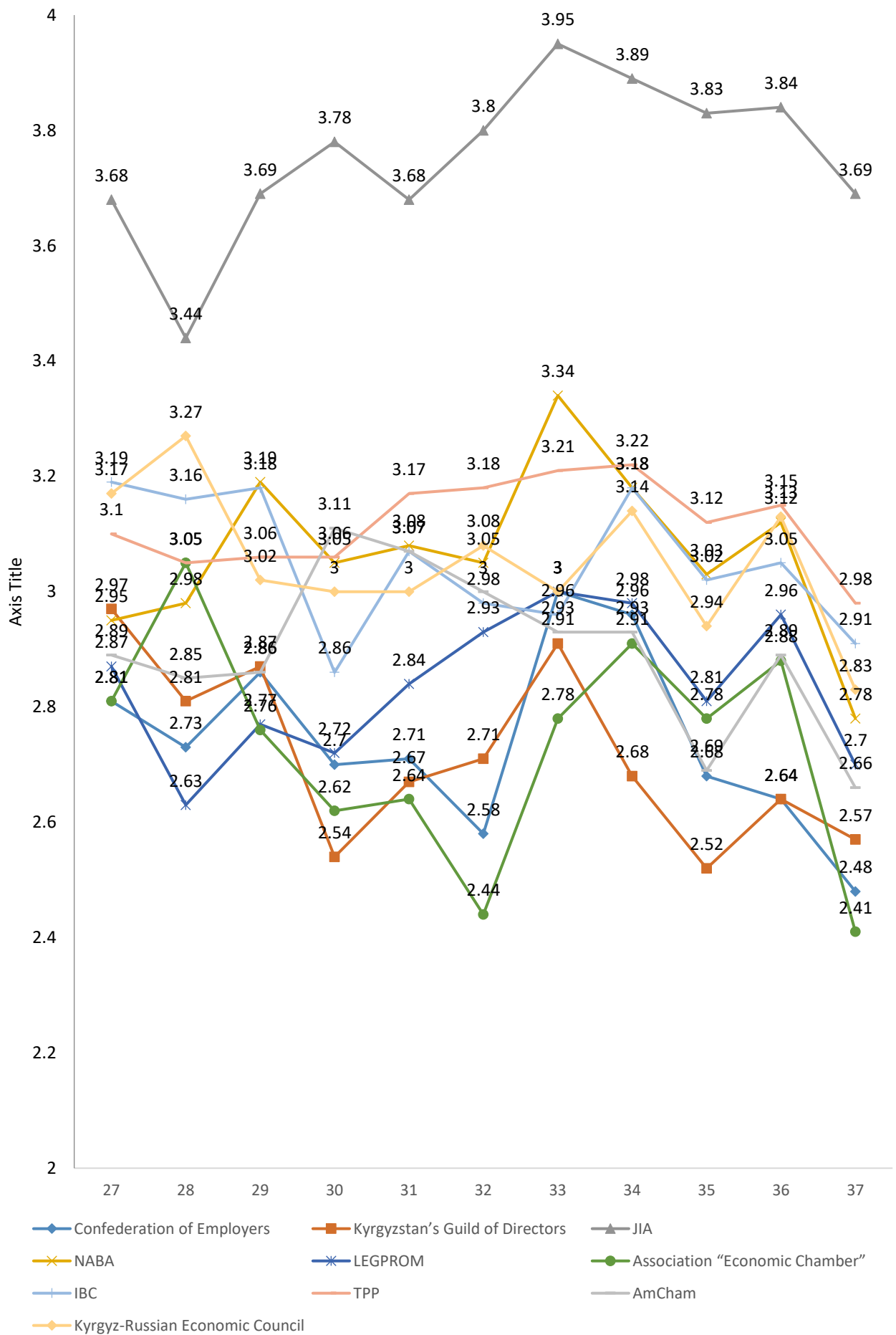
With the score 3.84, JIA is recognized as the best rated organization in relation to support and understanding of small business needs. Following JIA, TPP reached the score of 3.15 and NABA 3.12. The lowest rated were Kyrgyzstan’s Guild of Directors and Confederation of the Employers (2.64).

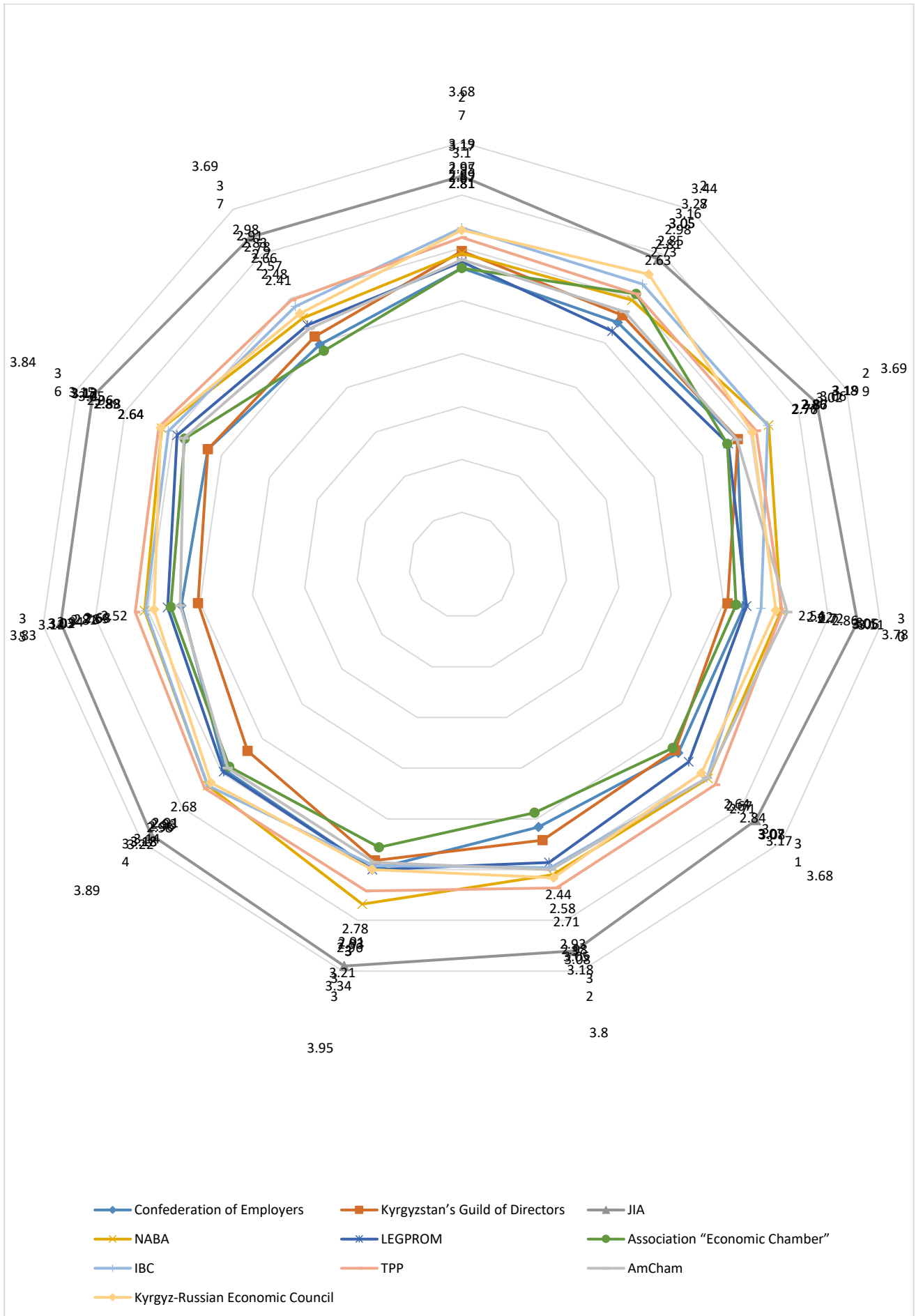
Graph 33: How do you rate the level of Organization’s consultation with you on policies that affect your company?



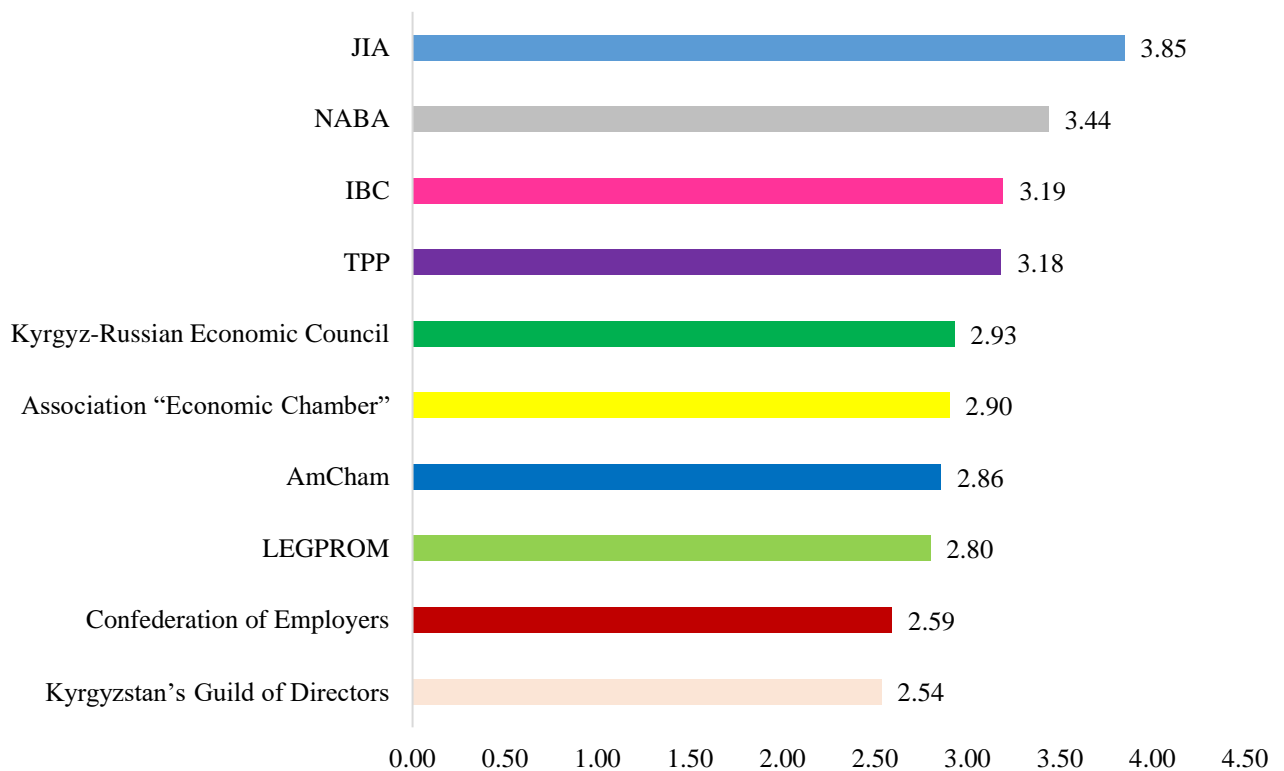
Best rated again (3.69) in relation to consultation with companies on policies that affect companies is JIA. Other associations got the average rate lower than 3 whereas the lowest scores were in case of Association “Economic Chamber” 2.41 and Confederation of Employers 2.48.

Graph 33a: Average rate for previous questions



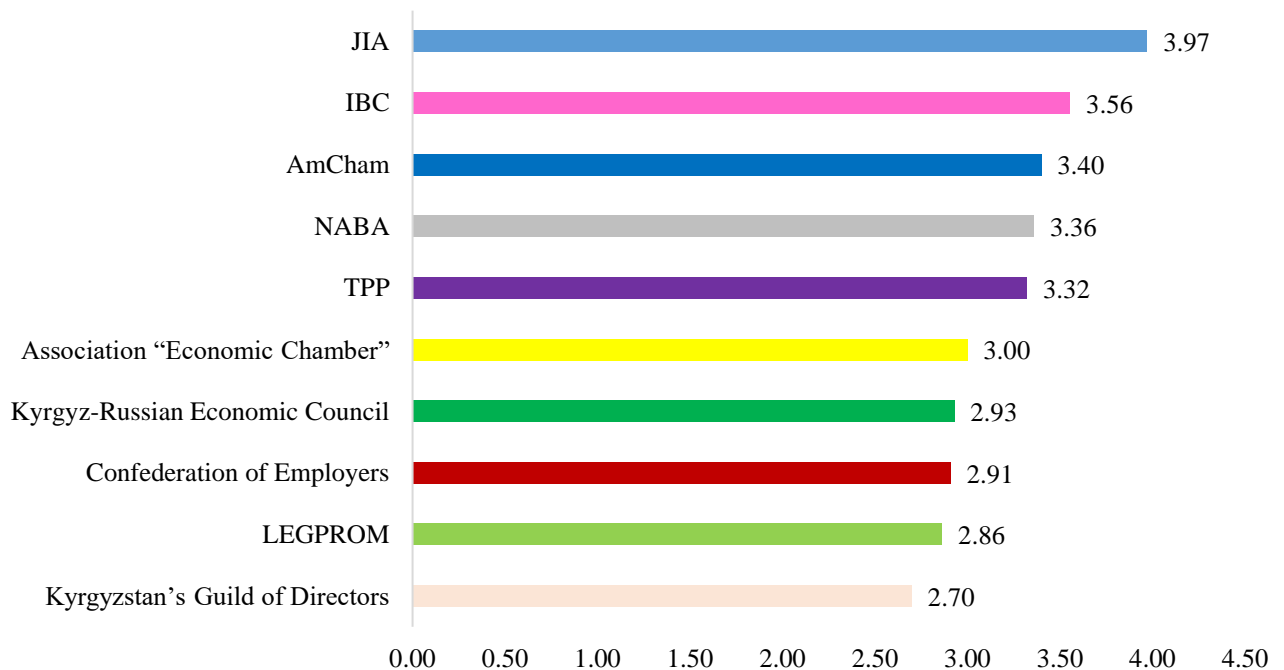


Graph 34: Rate of PR materials (leaflets, brochures, ect)



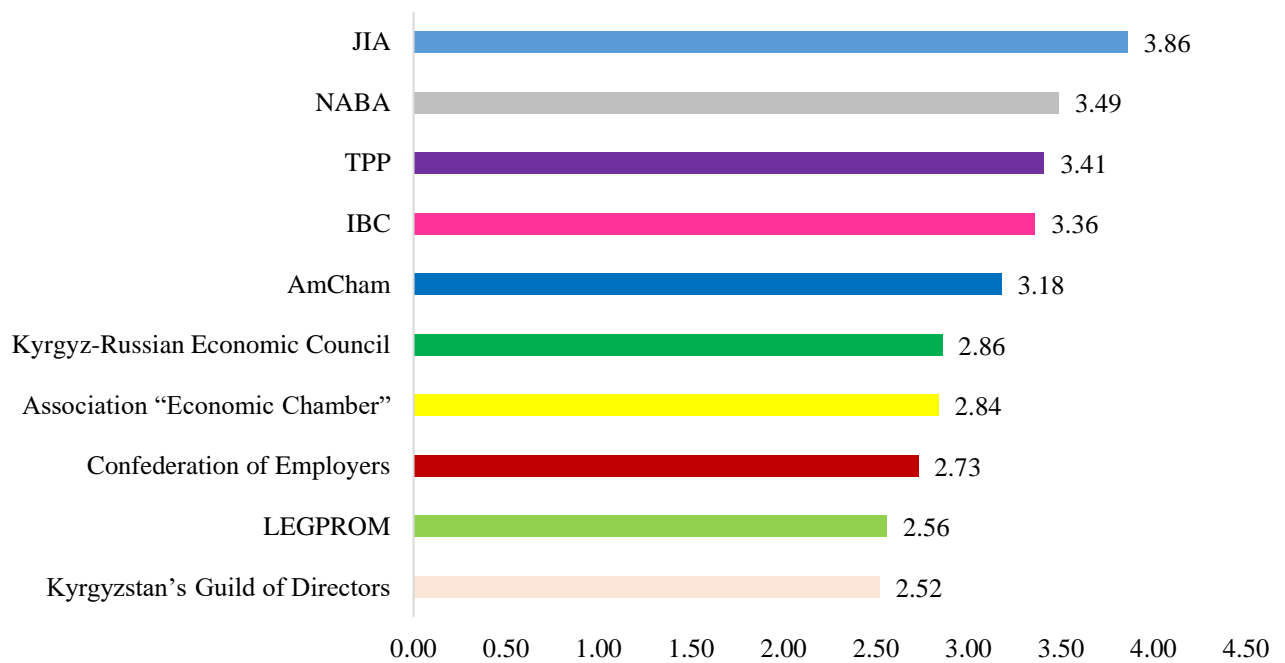
Overall, PR material of almost all business associations is rated very positive. Again, JIA got the highest average score of 3.85, followed by NABA with 3.44, IBC with 3.19 and TPP with 3.18. The lowest scores were given to Kyrgyzstan's Guild of Directors (2.54) and Confederation of the Employers (2.59).

Graph 35: Quality of website and social network accounts



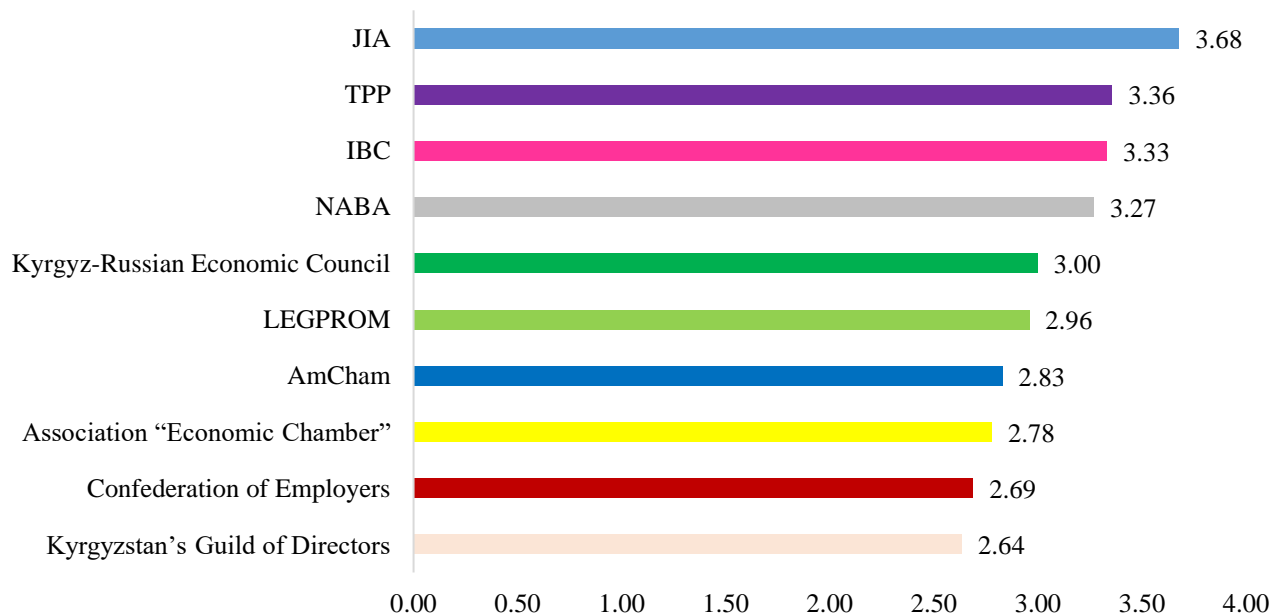
Quality of website and social network accounts of JIA are claimed the best with the rate of 3.97. The next well rated are IBC's (3.56), AmCham's (3.4) and NABA's (3.36). The lowest score is earned by Kyrgyzstan's Guild of Directors (2.70), LEGPROM (2.86) and Confederation of the Employers (2.91).

Graph 36: Frequency and quality of direct mailings

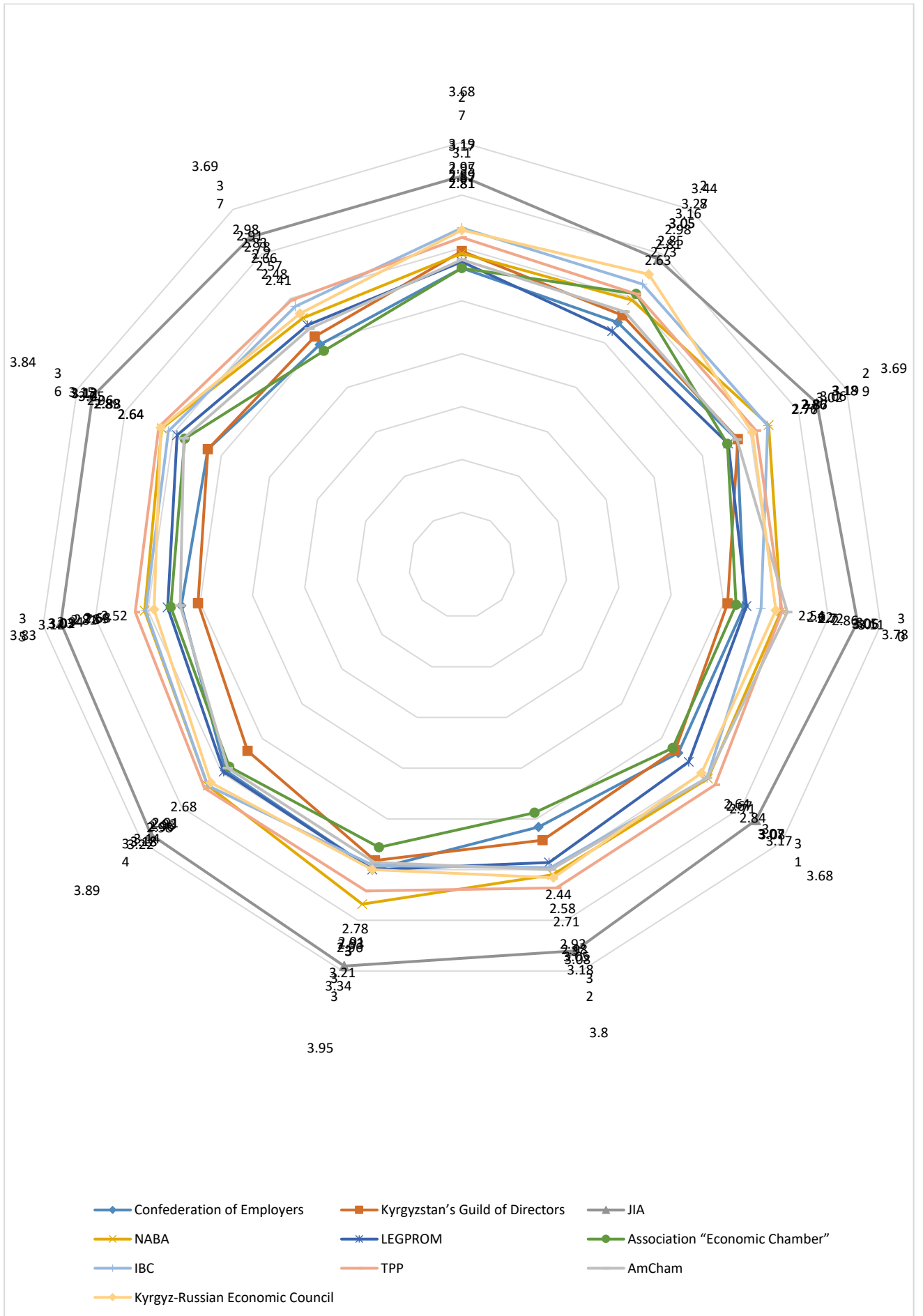


Companies recognize JIA as a business association with the best quality and frequency of direct mailings (average rate 3.86), than NABA (3.49), TPP (3.41) and IBC (3.36). Again, the poorest ratings were in case of Kyrgyzstan's Guild of Directors (2.52), LEGPROM (2.56) and Confederation of the Employers (2.73).

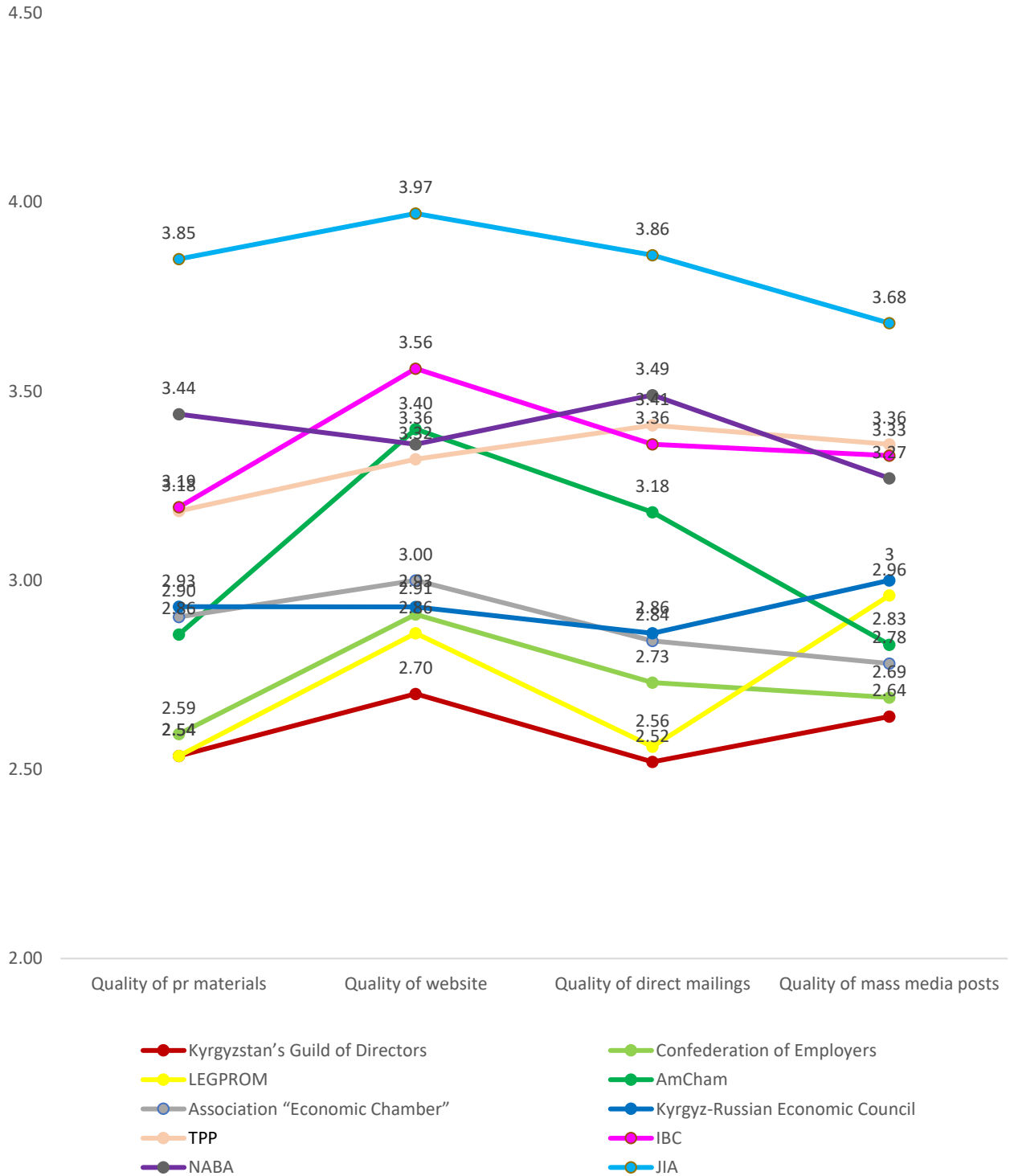
Graph 37: Quality of mass media posts



Finally, JIA is once again recognized as the best in terms of quality of mass media posts (3.68). Following JIA are TPP (3.36), IBC (3.33) and NABA (3.27). Similarly to previous question results, the lowest scores were in case of Kyrgyzstan's Guild of Directors (2.64), Confederation of the Employers (2.69) and Association "Economic Chamber" (2.78).



Graph 37a: Average rate of visibility material



The last set of questions refers to services provided by business associations and companies' suggestions for new services to be provided by business associations.

Graph 38: What do business associations need to do in order to improve their capacities?

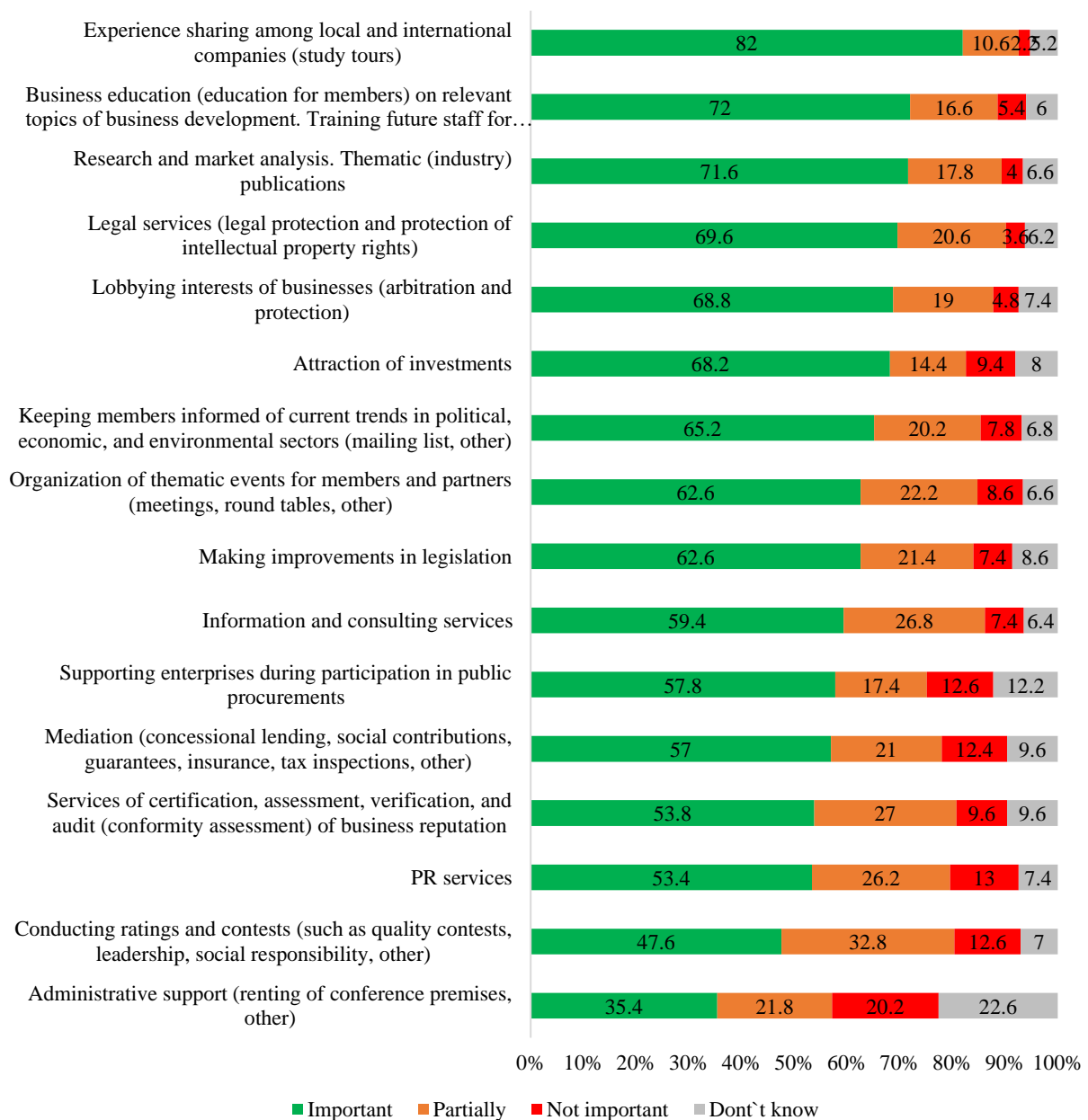


According to companies involved in the survey the following issues/services should be improved by business associations: **informing enterprises more often about its activities, projects** (92% of companies), **quality of services** (89.6%), **establishing contact with international business associations** (83.2%) and **increase quantity and diversity of services (business meetings, analysis, online services, other)** (82.4%) and, ultimately, **accountability and transparency of operations** as stated by 80% of companies.

As other suggestion companies named:

- Associations should build their capacity and raise qualification of workers;
- Improve financial situation;
- Enhance communications with the business environment, especially small businesses;
- Improve service quality, they are far from reality and don't create opportunities
- Real-time, move from theory to practice
- Use international experience of doing business in developed countries ...

Graph 39: Please rate the importance of listed services provided by business associations for you as a current or potential member



As the most important service is provided by business associations, companies refer to **experience sharing among local and international companies** (82%), **business education on relevant topics of business development** (72%) and **research and market analyses** (71.6%). As less

important services companies refer to ***administrative support*** (35.4%), ***conducting ratings or contents*** (47.6%).

Finally, companies had chance to recommend or suggest three things to all business associations in order to better serve its members. The most important suggests are:

- Better communication with companies
- Better services
- Advertisement, PR, events, workshops (free), international cooperation
- Active cooperation with other companies, active cooperation with government agencies, well established feedback
- Accessibility of services and to provide more services
- Actively improve their capacity, protect and promote target groups, consistent systematic work
- Agile management, quick feedback, adequate behaviour
- Assistance with legislation (amendments, decrees, regulations, etc.)
- Visit companies and present services
- More meetings with the members
- Support in finding funding sources
- Business associations should be led by people who have experience in the business sector. They should do more on lobbying amendments to legislation that regulated business environment. They should work not only with large, but also SME companies
- Business education and experience sharing
- Conduct problem analysis and companies need analyses
- Be more sectoral oriented
- Demonstrate results which will attract new members
- Fighting against corruption in business associations
- Improve cooperation between all business associations
- Provide real help to all business, not just big companies.