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EMERGING NGO-BUSINESS RELATIONS IN CENTRAL ASIA

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1. INTRODUCTION

Non-Governmental Organisations (NGOs) and business are often perceived as being at opposite ends of the continuum of concern on issues of poverty and development. Yet an increasing number of NGOs and companies are seeking to work collaboratively around the world. However, negative stereotypical perceptions run very deep on both sides and continue to lead to mutual suspicion and resistance to change to this new development paradigm. NGOs often see themselves as the poor relation in private sector collaborations, and companies as the main beneficiaries. NGOs also have a tendency to think of themselves as moral arbiters which can impose nervousness and restrains the way they approach the private sector. In turn, companies perceive NGOs as undisciplined, idealistic dreamers, blind to the reality of the market place.

NGO-business relations are like a game of chess: while there are only a few pieces to move, there are an almost infinite variety of ways to play the game. For those NGOs already engaged with the private sector, what do they hope to achieve? If some companies can be accused of partnering for public relations reasons, are NGOs equally using partnership as a competitive tool to obtain funds, raise their profile amongst donors and sensitise supporters? The perceived power of boardrooms and lunches with company directors are attractive to some NGO staff. But where do NGOs' mission principles figure in all this? Few NGOs have a united position within their organisation regarding businesses, except those pursuing a solely antagonistic route. Indeed, there are heated debates within NGOs: directors, trustees, supporters and staff can divide into separate camps. Thus creative leadership is required as stakeholders either pressure their NGO for more corporate engagement or conversely act like a ball-and-chain on potential partnerships.

That a company exists merely to maximise shareholders' profits is no longer a valid proposition. A company's impact on its stakeholders is an emerging benchmark of corporate performance since stakeholders are beginning to ask what companies can do for society, not what society can do for companies.

NGOs rely on public trust. While integrity is at the core of all organisations, public trust of NGOs is higher than that of companies. Trust is becoming a fundamental driver for partnerships between NGOs and the private sector, but there are serious implications for NGOs if a corporate relationship turns sour. Thus NGOs should not endorse companies, but rather engage with them critically.

Business investors are increasingly interested in the risk factors associated with reputation. An enhanced public image through association with an NGO can increase corporate brand credibility. Yet the reputation of NGOs as effective, tenacious campaigners can also cause business to fear a negative impact on to their image and sales. Thus the initial instincts of businesses to resist campaigning NGOs or to rely on self-righteous outrage and media rebuttals are tending to give way to more consultation and collaboration.

The rapidly changing external environment is having major implications for the role of NGOs, their sources of funding, the nature of their relationships and their

activities. Globalisation, the increasingly multinational nature of business and electronic communication, has led to a parallel reduction in the powers of the nation-state to affect development and a rise in the powers of the business community:

Transnational Corporations account for over one quarter of the earth' s Gross National Product and with such massive resources at their disposal there is increasing recognition that with global influence comes global responsibility. The welfare state is giving way to business welfare. (Heap 1998)

NGOs need to engage with the private sector in new ways, yet the dynamics of relationships between NGOs and the private sector has hardly been researched. INTRAC's ongoing monitoring of the NGO sector suggests that an analysis of these issues would be of great value to NGOs and the private sector as they grapple with possible new modes of engagement in their quest to have a positive impact on justice, peace and sustainable development. As such this research is of key strategic importance to NGOs and the private sector.

Everyone would be better served if NGOs were to decide if and when to engage, and what they want, before approaching the private sector. Above all else the partnering process requires the development both within the NGO and the private sector of creative linkages and more appropriate and responsive organisational capacities:

It is a debate that every NGO must listen and respond to, but each will do so in a different way - some more enthusiastically and aggressively than others. (Edwards 1998)

In Central Asia the dynamics of relationship between NGOs and private sector is a relatively new phenomenon and hence has received very little attention. As part of a global research project, the objective of this study is to ascertain the level of emerging relations between NGOs with business in three of the five republics of Central Asia: Kazakstan, Kyrgyzstan and Uzbekistan.

2. METHODOLOGY

2.1. BACKGROUND

INTRAC is currently completing a research project that examines the changing nature of relationships between NGOs and the Private Sector. By learning from the lessons of past and present engagements, this two-year research project explores the potential for the two sectors to work together for global development in the future.

In order to help both NGOs and the Private Sector in their dealings with each other, the study design systematises the benefits and drawbacks of NGO-Private Sector engagements, analyses the engagement processes of advocacy and direct action in such areas as corporate citizenship and codes of conduct, sustainability and human rights, collates the lessons of engagement, and proffers alternatives and possibilities of future engagements between the two sectors.

Phase 1 of the INTRAC project is a mapping exercise describing the present state of affairs in NGO-private sector relations. Phase 2 examines the crucial issues raised in Phase 1 by means of a number of case studies to provide empirical evidence on the processes of engagement between NGOs and the private sector. The cases are organised into four categories:

CONCEPTUAL issues cover a variety of important subjects affecting NGO-corporate relations. Strategy and tactics for engagement will be examined in a paper which covers the spectrum of such relationships, from adversarial to cosy funding partners, with the emerging middle ground of negotiated, constructive co-operation. Compared to developmental NGOs, environmental NGOs have been engaging with the corporate sector for a long time. More experience might not, however, always equate to the sector being better practised; but INTRAC explores all the possible lessons to be learnt. Another study focuses on intermediary 'dating agencies' trying to draw more and more 'Ms NGO' and 'Mr Company' types into marriage: British Department for International Development's Business Partnership Unit; the World Bank's Business Partners for Development, as well as British, Brazilian and Filipino bodies. What is a broking organisation like and how does it operate? Investigation in this area suggests that no one model predominates; indeed the bodies employ a fascinatingly diverse range of partnering methods.

SUBSTANTIAL CASES document in detail a number of specific examples of NGO relationships with business for analysis and comparison relating to INTRAC's key research questions: what form do relationships take, how and why are these changing over time; what has worked; what organisational and management issues arise; and are there lessons to be drawn across NGO/business sectors, say, from oil for agriculture. Substantial cases include both the Marine and Forest Stewardship Councils; NGOs and the banana trade in Costa Rica; NGOs and Zurich Financial Services in India; the Federation of Indian Chambers of Commerce and Industries and Indian NGOs; Living Earth Foundation and Shell in Nigeria and the UK.

COUNTRY reviews examine the country-specific factors that determine different levels of NGO-business relations. Questions addressed include: what different forms are they taking in the country and why; how is the external political, cultural and social environment affecting engagements; how have the relations changed over time, and how are they likely to develop in future? Colombia, Kazakstan, Kyrgyzstan and Uzbekistan are examined.

CAMEOS provide a snapshot of a particular aspect of NGO-company relations as well as providing a wider range of examples of NGO-business relationships than can be covered in detail through the substantial cases, including Amnesty International's Business Group; Greenpeace and PVC manufacturers; and Babymilk Action and Nestlé.

Southern and Eastern researchers were commissioned to conduct the research for the substantial cases and the country reviews. This is producing exciting findings from Colombia to Central Asia, from the mining to marine sectors, and from adversarial to collaborative partnerships.

2.2. CENTRAL ASIA

As part of INTRAC's global worldwide research project on the changing nature of the relationship between NGOs and the Private Sector, country reviews were carried out in Kazakstan, Kyrgyzstan and Uzbekistan. Simon Heap of INTRAC set up and co-ordinated the research project. Gulmira Jamanova, Executive Director of CASDIN (Central Asian Sustainable Development Information Network), conducted the Kazakstan study. The team of Syrgak Salmorbekov, Edil Osmonbetov and Dina Shukurova from the Institute for Regional Studies, Bishkek, conducted the research in Kyrgyzstan, while Marat Terterov of St Antony's College, Oxford, carried out the study in Uzbekistan.

Research questions included:

- Key actors: who are the key actors in NGO-private sector relations? What types of NGOs and companies?
- Forms: what forms do the NGO-business relations in the country take?
- Trends: how do the NGO-business relations change over time?
- External environment: how do national political, social, legislative and cultural factors explain the nature of NGO-business relations in the country and the changes over time?
- Future: how can the NGO-business relations develop in the future and why?

In total, across the three countries, the researchers interviewed over fifty key individuals, whom we thank for their help and support. The researchers used a case study technique and semi-structured interviews with the key actors – representatives of NGOs, private companies, international and state organizations. Semi-structured interviews were conducted according to the questionnaire below.

<i>Semi-closed questionnaire</i>

- How much, and in what form, does your NGO receive assistance from the corporate sector? Trends over time in terms of money, sectors?
- Motivations to establish your collaboration? Why does your NGO want relations with companies? What are you offering companies?
- How did the initiative develop? Who within each organisation decided it was a viable partnership/engagement and that it should proceed? Who decides on your corporate donors? Do you have ethical guidelines?
- How was the partnership set up: governance, transparency, autonomy?
- How closely have you followed other NGOs/companies?
- Do you sell services to companies?
- Global strategy: how does your company deal with variances across regions of the world, particularly in relation to developing countries?
- Finance and funding: funded from a range of NGOs, foundations etc. Which ones? Relation to constituencies? Financial strategy? Over what timescale?
- What non-financial support does your NGO/Company receive e.g. staff secondments, free publicity from business/NGOs?
- What has been the reaction of NGO/corporate competitors to your involvement with companies/NGOs?
- Any other bodies involved/supporting your engagement?
- How replicable do you see your approach/model to be?
- Do you publicise your relations and activities with companies?
- Organisational capacity; the staff and their personal backgrounds (from which sector?).
- Mistakes, disasters, problems, things you would do differently knowing what you know now?
- Your top tip(s) on NGO-business engagements.

3. KAZAKSTAN

Kazakstan is situated in the central part of the Eurasian continent. At 2,724,900 sq. kilometres, it is the ninth largest country in the world and the second biggest republic of the former Soviet Union. Kazakstan has common borders with Russia, China, Kyrgyzstan, Uzbekistan and Turkmenistan. Its population (by the end of 1997) of 15,641,900 people is made up of Kazaks (46%), Russians (34.7%), Ukrainians (4.9%), Germans (3.1%), Uzbeks (2.3%), Tatars (1.9%), Belarussians (1%), Azerbaijanis (0.62%) and others (0.42%). Kazak is the official language, while Russian is used as a means of international communication. The main religions are Islam and Christianity. Economically, Kazakstan is divided into five main regions: Central, Northern, Southern, Western and Eastern. Administratively, Kazakstan consists of 14 regions.

On 16 December 1991 Kazakstan gained independence and sovereignty from the Soviet Union. The Kazak government is based on the republican model. The Executive branch consists of the President, Prime Minister and Board of Ministers, appointed by the President. The Legislative branch is represented by the Parliament, consisting of the Upper House and Lower House (Senate and Majilis). On 17 September 1999 the latest elections to the Senate were conducted. The elections to the lower house (Majilis) were held on 10 October 1999.

At the present time, the political situation in the country can be characterised by a concentration of political and state power being in the hands of the President, Nursultan Nazarbaev. This was achieved by the dismissal of all Parliament officials in 1993 and 1995; a decree on extending the presidential term till 2000, adopted in March 1995; adoption of a new Constitution on 30 August 1995 which liquidated the institution of the Constitutional Court and a system of checks and balances, depriving Parliament of the control functions and impact patterns on the policy of executive branch; pre-term presidential elections on 10 January 1999, which shortened the preparation term for other candidates; and the extension of the presidential term up to seven years.

Kazakstan is on the way to liberalisation and privatisation of state property. The country possesses a large export-oriented raw material industry. Almost all strategic export enterprises and branches of economy were privatised to local and foreign companies. 90% of industry was sold off for US\$3 billion, well below its true value.

Kazakstan took 93rd place in the world in the United Nation's Index of Human Development in 1998. The social-economic situation in Kazakstan during the transition period can be characterised by:

- a decrease of economic activity.
- a decrease of the standard of living (in 1997 43% of the population had resources lower than the living wage).
- growth of unemployment, primarily among youth (in 1997 34.5% of the people applying to state employment service were 16-29 years old).

- a low level of social security (the benefits to single mothers with children and a considerable part of other privileges were cancelled).
- bad health conditions (growth of cancer, virus hepatitis, tuberculosis, intestine viruses, syphilis, HIV).
- a high mortality rate (38% of the people who have died were able-bodied, and the mortality rate of men was 3.6% higher than that of women).
- a population decrease in all regions of Kazakhstan as a consequence of birth rate decrease (birth coefficient for 1991-7 for 1000 people has decreased from 21.5 to 14.7).
- migration from rural areas due to crisis situations, and migration from industrially developed regions to other countries.
- a decrease in educational level.

3.1. THE NGO SECTOR

The development of the NGO sector in Kazakhstan occurred in unfavourable economic conditions. The transition from a planned economy to a market one is accompanied by a decrease of manufacturing, decrease of revenues and expenditures of state budgets including social programmes. The working of the social security system has almost stopped. Social problems which are not being solved by the state led some individuals to create NGOs. The first NGOs in Kazakhstan were established by the end of 1980s. Among the first were environmental (ecological) organizations. Rapid growth of NGOs occurred in the 1990s. Now NGOs are working in different areas: ecology, human rights, health care, youth, consumer's rights and public welfare.

NGO activity in Kazakhstan is reflected in the Civil Code of 27 December 1994 and the law '*On Public Associations in the Republic of Kazakhstan*' of 31 May 1996. According to these laws, non-profit organisations can be established in the form of public associations, consumer co-operatives, public foundations, religious associations, and unification of legal entities in the form of association. But there is no division between non-profit organisations (political parties, trade unions) and socially beneficial organisations. On 25 June 1999 the Committee on legislation and judicial-legal reform of the Senate of the Republic of Kazakhstan held the first public sessions discussing the bill '*On non-profit organizations*', in which Parliamentary deputies, representatives of Kazak and international NGOs participated. This public session is a step forward in the democratisation of the country. The bill does not meet some basic demands of the non-profit sector in the country. Rather it is directed at state control of non-profit organisations' activity.

According to the data of the National Statistics Agency there are 6,847 non-profit organisations in the Republic of Kazakhstan as of 1 January 1999. The registration of a non-profit organisation does not mean that this organisation belongs to the NGO sector, however. In the official legislative acts there are no concepts of NGOs and the third sector.

There are relatively few NGOs in Kazakhstan. According to CASDIN data, there are only about 700-800 functioning NGOs in Kazakhstan. The state does not have any consistent policy on relations with NGOs as regards legal or taxation measures which would encourage the activity of civil society. The state does not perceive NGOs as serious partners. The traditions of charity are also underdeveloped in the country. According to the law on public associations, NGOs cannot be financed from the state budget. The main sources of financial resources for NGOs are grants from international foundations and agencies and to a lesser extent donations from the private sector, revenues from own business, own savings and membership fees. Although the number of NGOs continues to grow, international foundations and agencies are cutting their activity in the country, so the general spread of money decreases. Grants are not available to all NGOs. The grants of international foundations, which do not have offices in the territory of Kazakhstan, are almost unavailable to Kazakh organizations because they have to compete with NGOs from all over the world. There are no private foundations in the country.

A few NGOs have their own businesses. Many basically render legal consultation, for example, associations for the protection of consumers' rights receive part of their revenue from the services they offer (printing, training and consultations). Other organisations use the revenues from their businesses to cover overheads. Some NGOs are now starting businesses simply in order to survive.

In the countries with a market economy, taxation policy differs between profit and non-profit organisations and benefits the latter regarding exemptions and privileges. Kazakh taxation policy does not really encourage the development of the NGO sector. In 1998 the Government cancelled NGO tax benefits on revenues derived from their activities. Only some organisations like societies for disabled people have beneficial exemption from income tax. Other NGOs pay almost the same taxes on their entrepreneurship activities as private companies do. There is a tendency to reduce benefits for non-profit organisations, although NGO revenue can be compared to the state's expenditure because NGOs solve the social problems of society. NGO membership fees are not levied with taxes. But considering the complicated economic situation, only some organisations can generate membership fees.

3.2. RELATIONS BETWEEN THE NGO AND BUSINESS SECTORS

At present, the help NGOs receive from the private sector is insufficient because mechanisms encouraging business to render help to the NGO sector are absent. Experience from around the world indicates that government generally need to give tax benefits in order to stimulate charitable giving in the range of 5% to 10% in business contributions. In contrast in Kazakhstan only 2% of private tax-paying businesses contribute to charitable organisations. This small part of the private sector as a rule helps only those NGOs whose activity is clearly associated with charity: disabled children, homeless, elderly people and single women.

Businesses give some financial aid to NGOs as a way of reducing their profits

and hence their taxes. That is why the private sector sometimes renders help to NGOs in the form of in-kind donations of equipment, not in terms of monetary resources. For instance, one company gave an NGO chairs and suggested they sell them and use the receipts for their activities. Potential gifts for NGOs can be computers or other major equipment. As recipients for their old equipment, computers are quickly obsolescent and frequently replaced, companies often seek takers for their old equipment. NGOs sometimes get used equipment in this way. Perhaps there are more examples of such non-monetary beneficial charity, but they are few and far between.

NGOs do not appear to give priority to ways of developing connections with the business sector. They do not consider active interaction with companies because frequently they are in the position of beggars as regards their dealings with wealthy business organisations.

The relationship between NGOs and the private sector in Kazakstan takes different forms:

- opposition;
- sponsorship;
- rendering services; and
- partnership/co-operation.

There are examples of companies rendering help to NGOs, including funding. For instance, a firm called 'Tobacco' collaborates with a branch of the Association of Business Women in Shymkent, Special Olympics Kazakstan and the Association of Mothers with Many Children in Almaty, while Chevron collaborates with the Association of Parents of Disabled Children. Frequently businesses finance a single event conducted by an NGO within the framework of its programmes, but sometimes businesses themselves apply to NGOs for help, suggesting implementation of joint projects. For example, AKZO NOBEL company, the representative of a Dutch pharmaceutical firm in Kazakstan, which manufactures contraceptives and other products for women, organised a series of seminars with NGOs working in the sphere of healthcare. After such seminars NGOs inform the population of correct family planning and reproductive health. This campaign involves the Medical-Pedagogical Association and Association of Nurses and Gynaecologists.

There are also other means of interaction between NGOs and business. NGOs support business development and receive part of the income from services such as business-planning, training and consultation. The NGO training centre "Challenge" works with three companies: Shell, Kazaktelecom and Tengizchevroil, to develop special training programmes upon request. For example, the programme on theoretical phonetics of the English language. In turn, many of the external relations staff of Tengizchevroil receive their training at the 'Challenge' centre.

A small proportion of businessmen participate in helping to solve social problems. The business person's involvement may derive from self-motivation. For example, if the businessman has a diabetic child or relatives suffering from

cancer, then he may render material or technical support towards relevant NGOs.

Many large companies realise that it is essential not only to earn profits, but also to create a good image; reputation and profits are linked. It is very important for a company to strengthen the image as a corporate citizen of the country. For example, the goal of Tengizchevroil is to be a company that is respected by the entire population of Kazakhstan. Their strategy is to help NGOs, not to concentrate wholly on increasing their business profits.

Large companies have marketing and public relations departments whose specialists co-operate closely with NGO representatives. Usually the Directors or fund-raising specialists of NGOs are responsible for interaction with the private sector. For example, the Special Olympics Kazakhstan has established a committee on fund-raising, which includes representatives from companies with ongoing sponsorship (Coca-Cola, Mobil and Chevron).

Not all NGOs consider ethics in the relationship between NGOs and the private sector. They should follow the lead set by Environmental NGOs who frequently regard the ethical problem: to what extent can the NGO co-operate with a business that has built up profits without thought to environmental quality. In short, there is 'clean' money and there is 'dirty' money. It is sometimes very difficult to differentiate between them. Money from the Environmental Bank is 'clean' money, but what about the money of less ethically scrupulous companies? Before they can preach to companies about morals and ethics, do NGOs first need to get their own house in order?

In Kazakhstan TNCs are extracting oil in the Caspian Sea region. In the Kazakh environmental movement there are different attitudes towards the transnational corporations. Some NGOs think that they should not co-operate with TNCs, others think that they should do it. In the opinion of Olga Bakhareva, General Director of Special Olympics Kazakhstan, 'if the companies are extracting the oil, then they should pay off their debts for the damage that they cause to the nature and people'.

3.3. CASE STUDY: CASPII TABIGATY AND OKIOC, ATYRAU

One example of adversarial relations between an NGO and the private sector is that of the environmental NGO Caspii Tabigaty with the international company OKIOC. The NGO uses various methods: demonstrations and reports to Parliament and in the mass media. There were some cases of uncoordinated actions of the staff, however, which revealed the absence of a clearly developed policy, that is, building up constructive relations with OKIOC.

Back in 1993, in order to attract foreign investment, the government of Kazakhstan announced a tender for exploratory works in its sector of the Caspian Sea. Six oil companies were chosen for the creation of a Consortium. From 1993 until 1997, Kazakhstan Caspiishelf Consortium conducted seismic and ecological explorations of the northern region of Caspian Sea. In November 1997 they signed the Agreement on Production Share and on 1 September 1998 the international

company OKIOC (Offshore Kazakhstan International Operating Company) was established. OKIOC unites nine companies: Agip (Italy), BP (UK), British Gas International (UK), IMPEX (Japan), Mobil (USA), Phillips (USA), Shell (Netherlands/UK), Statoil (Norway), and Total (France).

The Caspian Sea is the world's biggest intracontinental closed sea at 12 km. long and 300 km. wide. It is divided into Northern, Middle and Southern Caspii. The freshwater of the Northern Caspii is home to a major pool of biodiversity: 50 million tons of zooplankton, 125 million of phytoplankton (basic food of fish), 1.6 billion of bacteria, 29 millions of zoobentosis and 0.3 million of phytobentosis. In this sea 53 different kinds of fish live, including the largest population of sturgeon. The stock of all fish is evaluated in a general mass up to three million tons. The uniqueness of Northern Caspii is primarily its fish, for it is the natural place of valuable species of fish such as beluga and sturgeon. Black caviar and balyk are delicacies appreciated in the world market and the caviar is weight-for-weight two thousand times more expensive than oil! Also in this region are 945 kinds of plants, 350 kinds of animals, including seal-endemik, and 308 kinds of water and transigratory birds (up to 10-12 million in number).

In March 1998 OKIOC announced it would officially begin drilling in the Northern Caspii region in October-November 1998. In April 1998 in response to the announcement, the local population started a counteraction. The ecological NGO Caspii Tabigaty was established in Atyrau. The activity of this organisation is directed towards stopping drilling in the Northern Caspii region to prevent further damage to the environment of Atyrau.

Caspian Tabigaty actively protests against the activities of OKIOC and Caspii Tabigaty suggests the following:

- to prohibit industrial expansion in the Northern Caspii region, to cancel oil extraction, to preserve the stock of carbons for the well-being of future generations;
- to follow the existing laws on environmental protection, to include the changes in legislation in order to perform the strategy 'to prevent the ecological disasters' instead of the strategy 'to liquidate the consequences';
- to include the reservation zone of Northern Caspii in the UNESCO List of World Heritage sites; and,
- if drilling starts, then all people living in the Caspian area, should receive insurance of US\$500 billion, according to the international rights and laws.

Based on data from the Atyrau Department of Environmental Protection, OKIOC, which had started its exploratory drilling on 12 August 1999, poured pollution containing harmful elements into the sea during the process. Laboratory analysis showed that sewage waters, which were taken from purifying devices and the drilling equipment Sunkar, contain phenol (whose levels exceed the norms by 70 times), salt ammonia (30 times), ammonia (175 times), and oil products (224 times). In the process of drilling, it is estimated that Caspii will accrue 900 tons of water containing poisonous elements every month.

Case Study: British Gas International

It is part of the OKIOC Consortium. It sees the ecological Caspii Tabigaty as definitely the most aggressive NGO with OKIOC companies, being particularly active in the media. But OKIOC persuaded Caspii Tabigaty to explain the technicalities of what the oil and gas companies were doing to the local community and the overall environmental impact of their landscape and way of life. OKIOC realised the potential negative environmental impact of their work and so developed a special barge for drilling just for the Caspian Sea.

BG International has its own focused areas of help and charity giving:

- sponsors an ' Ecology Research Faculty' at the Kazakstan State Academy for Architects and Construction and employs a visiting professor from Southampton University, who is an expert in mercury pollution;
- funds a number of scholarships for students to go on one year postgraduate training courses at Southampton and Strathclyde universities. The only condition attached to the scholarship is that the students must return to Kazakstan and work for a state organisation; and,
- bought kitchen equipment for the Almaty boarding school for students with spinal problems (the school has suffered a lapse in state funding as the country changes from a centrally planned economy to a largely privatised one). Further financial enquiries have been made to BGI from orphanages, but have not been taken up as BGI has to focus on its corporate donations.

Case Study: Association of Business Women of Kazakstan, Atyrau, and Tengizchevroil

The Association of Business Women of Kazakstan has thirteen branches across the country. The Atyrau branch of the association was established in April 1999. Tengizchevroil granted 450,000 *tenge* (US\$5,000) to the Atyrau branch to start its work. Local companies who have women in administrative posts have financial aid to the Atyrau affiliation:

- the milk factory gave 200,000 *tenge*;
- the oil company Telfage gave 100,000 *tenge*; and
- a dry cleaning business 30,000 *tenge*.

This has enabled the Association to begin functioning. It carries out charity actions and works on the development of a credit society to help women start up own business.

Case Study: Shell Business Development Central Asia

It is part of the OKIOC Consortium. In this case, ecological NGOs have expressed concerns over beautiful natural scenery being ruined by the oil and gas exploration activity, as well as fishermen's livelihoods, especially the significant sturgeon/caviar trade, under threat.

An ecological conference was held in December 1998; Shell sponsored some of the participants, which was beneficial for Shell because participants chose not to protest with slogans but rather express their concerns through dialogue. No major battles have occurred since because both sides understand each other.

Shell' s external affairs programme includes:

- good media relations for a better understanding of Shell' s business practices and its exploration technology;
- assistance to universities; oil specialists - computers for science faculties;
- medical equipment in places where Shell operates: TB hospitals, children with serious diseases; and,
- social sponsorships: New Year celebrations and a singing competition.

Reasons for Shell involvement:

- aims to bring the best technology and jobs to the area;
- aims to be a good citizen - company responsibilities.

Shell is more socially active through OKIOC than by itself. Nonetheless, Shell does respond to NGO requests and has a management committee of six people handling donations. There will always be no limit to social spending, so Shell tries its best in areas of severe deficiency of funds and equipment.

3.4. CASE STUDY: PRIISHYMIE AND LOCAL BUSINESSES, PETROPAVLOVSK

Ecological Centre Priishymie (ECP) was established in 1995 according to the decision of a founder meeting, and was officially registered as an NGO in April 1997. The initiators of ECP were mostly teachers and students of the Northern Kazakhstan University. The main goals of ECP are:

- to promote, plan and realise the sustainable development of the region;
- to solve ecological problems;
- to organise purposeful activities for citizens on environmental protection;
- to form the ecological conscience, thinking and culture of the residents of the region, especially amongst youth; and,
- to inform the population through the media about the cases and facts of environmental legislation, infliction of damage to nature and health.

The members of ECP work in several areas:

- participating in scientific researches on ecological topics;
- developing a scientific foundation for a natural-reservation fund of the Northern Kazakhstan area;
- developing a scientific foundation for the creation of a special economic zone Burabai; and
- studying of soil, plant covers of the region, superficial waters and pollution levels.

ECP has received four grants totalling US\$30,000.

In 1998 ECP started to move in a new direction – developing projects for

enterprises to identify the impact that they have on the environment. Many companies are totally unaware of the damage they can inflict. The NGO's goal is to control all enterprises and their production of waste. Priishymie has permission from the Ministry of Ecology for this activity. According to law every company should have an environmental passport, that is, from an ecological point of view their activity should correspond to the norms stipulated in the legislation. The NGO can consider any damage caused to the environment, and can then propose ways of decreasing the harmful effects.

Since 1998 the scientific department Noosphere of the Ecological Centre Priishymie sells the following services to the private sector in environmental protection sphere:

- conducting an environmental audit (evaluation of impact on the environment and health of population) of existing and planned objects;
- developing limitation norms for waste disposals, development of section environmental protection in the construction and reconstruction projects, drawing up necessary documentation in accordance with the environmental regulations stipulated in the laws of Kazakstan, standards and norms; and,
- conducting public environmental expertise (identifying the equilibrium between the economic and other activities and quality norms of the environment and ecological regulations).

Since late 1998, this NGO has concluded 8 agreements with local companies, collecting a total amount of 200,000 *tenge* in fees. Priishymie is currently working with small companies in different industrial spheres, such as gas stations, vehicle service complexes, small windmills, the grain industry and dry cleaning.

3.5. CASE STUDY: SPECIAL OLYMPICS KAZAKSTAN, ALMATY

Special Olympics Kazakstan (SOK) is a national NGO and a member of the international organisation Special Olympics International. In February 1992 the Kazakstani programme was accredited by Special Olympics International with the right to use international symbols, music, an anthem and other attributes. In its turn, SOK follows international rules and regulations.

The mission of SOK is to organise all-year-round training, and competitions in many Olympic-type sports for children and adults with mental development problems. This enables the participants to develop physically, encourages their will and spirit to win and share their experiences with other sports people of the Special Olympics. The SOK programme handles the issues of social rehabilitation, adaptation of people who have mental impairments. Their pledge is 'let me win, but if I had failed, I was brave enough to try'. The philosophy of Special Olympics is built on the basis that with the right training and approach these people will be able to adapt socially and feel themselves to be full citizens. Another of SOK's important goals and objectives is to change the public's negative attitude towards these people.

According to UN data, around 3-10% of the world's population is mentally

impaired; so there are up to 500,000 of them in Kazakstan. SOK affiliations are registered in 12 regions, in other regions they work with orphanages. At the present time, SOK has covered almost 5,000 people, which means that a small proportion of people with mental impairments can be helped all year round: obtain sport clothes, necessary equipment and material support. SOK's main objective is to provide opportunities for many more people to participate in sports.

SOK receives sponsorship from Mobil Oil, Chevron, Coca-Cola, Texaco, Akson and Kazakhoil. During the last four years Coca-Cola has been one of the main sponsors of the Special Olympics. SOK has been receiving sponsorship aid from Coca Cola since 1995. This includes annual financial aid (US\$10,000) and material support in the form of products with the Coca-Cola logo (T-shirts, bags and caps). Kazakstani and local companies do not render any support because of the various reasons described above.

SOK has had considerable experience in co-operation with the private sector. It uses business lunches as one of the means of fund-raising for the implementation of its programmes. Besides financial help, SOK also receives non-financial aid from the private sector:

- Arna Sprint: provision of communication means (free e-mail, Internet);
- Kazaktelecom: free telephone communication;
- ABN AMRO bank and Centercredit bank: provide equipment to the team;
- Almaty Lift: financial support and the volunteers from the company provide technical assistance in decorating competition venues as well as transport;
- Valeri: printing services (business cards, office documents, letters of gratitude);
- Procter and Gamble: gives their products detergents, shampoos);
- Kendala: an office on 'privilege basis' (minimal rent payment);
- PricewaterhouseCoopers: conducted Halloween celebrations and used the money raised for the purchase of several printers and copy machines; and,
- BP and Amok companies: gave office equipment and furniture to the national resource centre SOK.

Working with Coca-Cola for four years means SOK cannot apply for help from a competitor company such as Pepsi Cola. In accordance with the NGO's stated policy SOK does not have the right to work with alcohol or tobacco companies, whose products are harmful to health. Of course, they do accept donations from them, but are not allowed to promote the products!

3.6. SUMMARY

The social involvement of local businessmen in Kazakstan is very low for their participation in helping to solve social problems is not viewed as being to their advantage. Communities and the state should create a right moral and ethical atmosphere that would encourage the private sector to become involved. That is why the role of NGOs is very important in changing legislation and awakening Kazak public opinion in order to develop the intellectual and material potential of the private sector into an actual positive resource of social progress. Companies

are ready for co-operation, however, it is very important for them to learn that the programme suggested by NGOs are socially meaningful, long term and have practical results. Therefore NGOs need to think seriously about joint projects, which will serve both the interests of the private sector and the NGOs.

Some businesses, however, do show interest in co-operating with professionally working NGOs because their approach is more efficient and hence more successful than the state structures. Companies and NGOs should be more open and transparent. NGOs should be willing to learn more about the companies, for example their history, current operations and future plans in order to use this information for developing their own strategy.

For NGOs to build up their work experience with business, they need to expand their organisational capacities towards developing a partnership with the private sector and understanding of what they can offer companies for mutually beneficial cooperation. Companies cannot brush NGOs aside, for example, environmental NGOs. NGOs can be a crucial balance between the community and companies who are sensitive to public opinion.

4. KYRGYZSTAN

Kyrgyzstan is a small (198,500 sq. km) mountainous republic located in the south-east region of Central Asia. It shares borders with Uzbekistan, Kazakstan, Tajikistan and China. Its population of 4.6 million is made up of Kyrgyz 52.4%, Russian 18%, Uzbek 12.9%, Ukrainian 2.5%, German 2.4%, other 11.8%. It possesses a varied climate: from subtropical in the Southwest (Fergana Valley) to temperate in northern foothills to dry continental to polar in high Tien Shan mountains. Religiously, 75% are Muslim, 20% Russian Orthodox and 5% other. Kyrgyz and Russian are official languages.

Kyrgyzstan's economy relies on raw material production, and more than any of the other Central Asian republics was drastically affected by the break up of the Soviet Union. The absence of sizeable gas and oil deposits means that the economy has not been cushioned from the pain caused by economic restructuring.

Political expression has been encouraged and this stands as one of the major differences between Kyrgyzstan and other Central Asian republics. NGOs have benefited greatly from a more conducive environment within which to work.

At present Kyrgyzstan as a developing country is making intensive efforts to adjust its economy towards integration into the global economical system. The increasing demands of the world market create difficult tasks for the republic on quickening its economic growth as well as on developing a modern economy on all levels. The formation of a favourable situation for the development of business activity in the private sector is a basis for democracy in society and in market relations.

After independence in 1991 the Kyrgyz Republic started to implement policies towards the realisation of a market economy. The Kyrgyz government believes that business plays a key role in the economic growth of the republic. Kyrgyzstan was one of the first among other NIS countries which became a member of the World Trade Organisation (WTO) in 1998. The liberalisation of the economy and foreign investments created stimuli for emerging private enterprises.

Business in Kyrgyzstan has passed three stages of its development and at present is in the beginning of the fourth stage. The first stage was characterised by commercial structures alternative emerging as alternatives to governmental structures. The second stage witnessed a high growth in numbers of commercial structures and in production. On the whole, entrepreneurship became the main element of mass establishment: banks, exchanges and joint-stock companies were quickly developing. In the first and second stages relations between businesses and NGOs were almost non-existent because of the problems of business sector itself. These first two stages were during the period from 1988 to 1995; NGO development took place towards the second half of the period.

A new stage with cardinal changes in business dynamics and structure has started in 1995, which was accompanied by a drastic decrease in the growth of

small enterprises. This was caused by several factors: limiting the spheres of operations with high profitability; a tendency of market concentration and centralisation of capital and household activities, the installation of the main elements of shock therapy. Macroeconomic stabilisation and first signs of growth in some economic sectors mean the formation of a new economic situation where small enterprises start to play a role specific to the market economy. This stage is characterised by the appearance of relations between business and NGOs.

'Business development is a basis for the dynamic development of our economy', said the President on governmental economic policy in a speech in 1998, because "Business is the main sector of the economy, which provides employment of all population". Using all possibilities, business has increased its potential and influence on economic development in Kyrgyzstan. At present the number of registered business structures is more than 30,000. The share of small and medium enterprises in GNP approaches 20%.

At the same time, the persistent imperfection of governmental regulations in the economic sphere means business in Kyrgyzstan is not quite developed. At present there is one entrepreneur for every 28 citizens; this is very low compared to world standards.

The government is trying to create favourable conditions for the dynamic growth of business, pointing out that business development is a priority. The main tasks of the government in the field are:

- enforcement of legislative protection of entrepreneurs.
- liquidation of bureaucratic barriers.
- development of business infrastructure, information and innovation services, promotion of the professional growth of entrepreneurs.
- utilisation of non-functioning parastatals for business sector purposes.

About 1,000 large and medium enterprises and thousands of small ones are controlled by the private sector in accordance with the Programme on Privatisation, which liberalised the main restrictions on domestic economy and foreign investment. This prepared the ground for the development of new private enterprises and the strengthening of the business sector as a whole. At the end of 1997, the share of the private sector in the GNP of Kyrgyzstan reached 65% - it is the highest among all NIS countries. The extensive programme on stabilisation and structuring reforms has had a significant impact including the liberalisation of prices and a trade regime adopted in 1992.

The process of establishment and development of the two sectors - business and NGOs - which are an essential part of the democratic society, is ongoing. The class of businessmen is the future economic basis of society. Results of economic reforms and the development of market conditions in the country depend much on their activity. During the last few years, NGOs have demonstrated their potential for social-political mobilisation of the population and have acted as relatively strong groups impacting on the state. It is extremely important to promote partnership between these second and third sectors and

ensure their stability. The success of economical and social reforms, and the building of the civil society will depend first of all on these factors. The material and financial resources of companies are based on public support including that of NGOs. NGOs in turn, established as a reaction to the actual requirements of the public, are faced with financial, organisational and other problems difficult to solve in a complicated economic situation. The need to establish partnership between business and NGOs is an urgent one for Kyrgyzstan, especially with regard to the setting up a relationship on the basis of co-operation and partnership.

4.1. THE NGO SECTOR

The term non-governmental organisation (NGO) is not used in the legal documents of the Kyrgyz Republic. The term non-commercial organisation (NCO) is used in the newly adopted Law On Non-Commercial Organisations of October 1999. However, the term 'NGOs' is widespread in literature and the mass media. The meaning of both terms is the same.

Since 1992, the non-governmental sector in Kyrgyzstan has developed and plays a significant role in the political, social and economic life of the country. At present, 1,344 NGOs are registered (Counterpart Consortium Kyrgyzstan 1999). This is almost the half of all NGOs registered in Central Asia. In the Soviet Union, a large number of various public organisations existed, but they were actually subordinate to the state and party structures. Therefore no real interaction exists between NGOs and the state. The same can be said about the business sector, as all production and services were monopolised by the state, which, at the same time, controlled the public sector, so one cannot talk about real interaction in this case either. The current situation is different. Democratisation and the transition to a market economy have changed the structure of society, where the three sectors - state, business and NGO - are taking concrete shapes. Present NGOs play an important role in the transition period as they determine the spheres of needs and the protection of the population that is not provided by private structures and the state.

On 15 October 1999, President Askar Akaev signed the law On Non-Commercial Organisations. The law contains a number of progressive provisions, providing favourable conditions for the development of a third sector in Kyrgyzstan. The new law strengthens the status of non-commercial organisations compared to commercial organisations. For the first time the non-commercial organisations are separated from the other public organisations in the legislative document. The law cancelled the previous system of forced registration and territorial restrictions in NGO activity. It saved costs on organisation, registration and management of the third sector's activity. Non-commercial organisations could be formed with and without guarantors. They are able to reduce the number of NCO initiators from ten to three and one person is sufficient in some organisational-legal forms (foundation). The legal status of legal persons/entities and NCOs having various organisational-legal forms (public associations, foundations and institutions) have been determined.

But at the same time, there are articles and provisions decreasing the efficiency of this law. The law unnecessarily regulates NCOs' activity: for example, Article 20 on General meeting of the public association says, 'the highest body of the public association is the general meeting', while in our opinion, an NGO's Charter should determine the type of the highest body of public association.

The new law says nothing about any benefits to NGOs for covering social aspects and charity. NGOs in Kyrgyzstan continue to pay high taxes. The law on taxes does not consider any benefits of tax relief to for business providing NGOs with financial support. There are many examples when public organisations caring for the poor and undertaking part of the state's. At present, only funds received as donations by charity organisations and NGO membership fees are tax-free.

There are a number of disadvantages and omissions in the law; NGOs cannot fully execute their social function within framework of poor and unfinished laws. The state is responsible to prepare appropriate conditions for the further development and growth of non-governmental sector by legal methods.

Institutional instability faces the majority of NGOs in Kyrgyzstan. Many NGOs lack a strong administrative policy and principles of activity and are faced with a shortage of financial sources. Unlike Western NGOs, they do not receive state support or subsidies like tax benefits. Most importantly they do not have working experience with democratic institutions that is a feature in Western countries. If the large international NGOs in Kyrgyzstan have well-organized working systems, many local NGOs implement their activities in a Soviet-style system of centralised management of people engaged in projects.

Another feature of present NGOs is the wide separation that exists among them. NGO activity in Kyrgyzstan depends completely on grants from foreign donors, which makes them very competitive. Particularly strong NGOs are detached and work for themselves only paying scant attention to their partners.

According to the United Nations Development Programme (UNDP), most NGOs do not recognise their own role in advocating on behalf of their constituents. They do not understand the nature and objective of the social and other forms of mediation. They could influence public considerations, lobby the rights and interests of citizens. While some registered NGOs do not carry out activities in accordance with their missions and aims, there are many NGOs implementing important work in society. This is especially true of NGOs dealing with women's and ecological issues. They provide social support and environmental protection.

There are some differences between rural and urban NGOs. Rural NGOs' activity focuses mainly on social support and protection. NGOs are considered as organisations whose main activity is focused on providing direct support and services to the members of the organisation and specific social groups. The phrase NGOs in development is used for these organisations internationally. In principle, developing organisations must have a strong connection to primary groups of people and work closely with the community to build its capacity by

involvement in joint performance of initiatives on development. For example, it is logical to consider rural NGOs as the main partner in implementing national programmes, particularly on poverty alleviation, health and education reforms. Often new organisations are concentrated around the local administrations in rural areas. The non-state sector weakens because of social and economic breakdowns, and this is the starting point of the actual NGO's partnership with local authorities in the spheres of social rehabilitation and development.

Actual independence from the state structures is the main aspect of support to the NGO sector. The Kyrgyz government wants NGOs to contribute positively to the development of civil society, but also wants services provided by NGOs to comply strictly with state interests. Therefore, there are pre-conditions for co-operation. But the financial constraints of the state make co-operation with NGOs difficult. NGOs rely on external donor support for their financing and so the latter has a major effect on their activities. NGOs have changed their priorities to follow donors providing funds.

Donors' policy regarding Kyrgyz NGOs could be divided into two stages:

- 1992-96: USA has a strong influence on NGOs in Kyrgyzstan. American funds through the NGO Counterpart Consortium, Eurasia Foundation, ISAR, American Legal Consortium and Peace Corps, have oriented local NGOs to problems in the following spheres: environment, human rights and the law, while paying little attention to poverty eradication and to development.
- 1996 onwards: various European and multilateral donors have reoriented the focus of NGOs' activity to approaches to eliminate poverty and to public involvement. They are UNDP, UNHCR, World Bank, TACIS, NOVIB, Aga Khan Foundation, DIA and some embassies.

Erkinbek Kasybekov, Director of the Counterpart Consortium, believes that donors' policy related to NGOs will soon change and NGO financing will be reduced. From the other side, donors intend to support long-term programmes connected with promoting Internet and informational sciences and developing local initiatives. The change of donors' approach will inevitably affect relationships between NGOs and the government, as well as between NGOs and the business sector.

4.2. RELATIONS BETWEEN THE NGO AND BUSINESS SECTORS

Relations between NGOs and business are weak in the Kyrgyz Republic. It was a topic discussed during the first Fair of Public Associations held in Balykchy. The goal of the fair was to show the potential and abilities of co-operation of between public organisations and the state authorities and business in order to solve the social problems of the Issyk-Kul oblast.

Four levels of relationship between NGOs and the private sector could be

distinguished: information, contacts, co-operation, and partnership. Often relationships between NGOs and the business sector take place on the first three levels. Partnership can be seen between NGOs and small private enterprises (big companies in exceptional cases). Many NGOs are involved in joint business activity with small and medium companies. Partnership is often established either because NGOs are engaged in business because of personal friendly relationships between NGO leaders and directors of commercial organisations.

Co-operation of NGOs with business is in the following directions:

- Mutual economic interest. Over 200 NGOs are actively involved in business activity: they are partly self-financing organisations. They work in the sphere of trade or the production of furniture and handicrafts. Naturally, in the course of their routine activity, they co-operate with other companies. When NGOs establish their own companies to support their organisations, they train their own businessmen who finance their native NGO after getting outside experience in the private sector.
- Co-operation in presenting services to each other. There are cases when some private cafes provide their space for training purposes, and NGOs help to prepare business plans, or offer consultations, information and so on. Such forms of co-operation are widespread.
- Direct support to NGOs in the organisation and development of private enterprises.

There are also many examples of another types of relations between NGOs and small and medium enterprises. It is typical in rural areas where the mass of poor disadvantaged people is concentrated and unemployment exists. Examples of such co-operation are covered in the media. For instance the female-orientated NGO Alga helps the rural population of Issyk-Ata and Alamudun *rayons* to organize and conduct training courses on micro-credit and business plan presentations. The NGO helps to get small loans from international financial agencies. Besides this, Alga has created a fund for development and gives small loans.

The Foundation to Save the Town is an NGO formed in the mining town of Kok-Yangak. The majority of citizens have left the town because of the crisis in the coal industry. The goal of the new NGO is to decrease out-migration through the development of small and medium business, as well as training and re-training of the unemployed into new professions, and to participate in urgent local problems. Under this programme, people could start their own business. All sorts of organisations, from business to ecological, expressed their wish to support this NGO in their activity.

Leaders of the Center of Children's Development Yntymak have organised training courses on business plan preparation for the livestock and plant culturing enterprises in rural areas. Yntymak is a partner of the UNDP on poverty elimination: it distributes loans among families.

The Union of Rural Women of the Issyk-Kul Oblast opened a consulting and training bureau for small and medium business at their office in Karakol. It

recently signed an agreement about conducting training and conferences to support entrepreneurs.

Other NGOs such as Umut in Balykchy, Chernobyl in Osh and the Protection of Rural Children's Rights in Basar-Kurgan *rayon* are actively supporting state structures to carry out programmes on poverty alleviation jointly with international agencies. Rural NGOs play a bridging role between state structures, donors and the business sector on the one hand and the population on the other. They provide families with loans for starting small enterprises. NGOs also give micro-credits to unemployed people. And unlike state donors, they use funds effectively because they know well the mentality and potential abilities of the local people.

There are examples of close co-operation between NGOs and large private companies that could be called partnerships. Ecological organisations are closely co-operating with TV and radio companies (TRK) preparing materials for broadcasting. The joint work of NGO and TRK provides the opportunity to inform people of ecological and health issues in a timely and professional manner. For over two years, twice a week, the Club of Nature Lovers has a radio programme entitled Vertical on VOSST TRK. The programme offers information about actions and news on environmental protection, and conducts interviews with NGO leaders, governmental officials and business organisations on ecological situation in Kyrgyzstan. Vertical is the only radio programme developed entirely by NGO members.

NGOs actually rarely cooperate with commercial enterprises. If some relations to exist, they are few and on an irregular basis. During this research, five large and popular national NGOs and two American NGOSOs (NGO Support Organisations) were interviewed: Aleyne Ecological Movement, For Democracy and Civil Society, For International Tolerance, Kyrgyz Style Diamond Association; Counterpart Consortium and IREX. Almost all interviewed NGOs answered negatively to the question: 'Do you have active relationship with business sector?' Only the Director of the Counterpart Consortium, Erkinbek Kasybekov, answered: 'Yes, we do. But our relationship doesn't have a systematic character.' There are only two cases of co-operation of the Counterpart Consortium with business structures. Thus Counterpart held the conference Social Partnership for Prosperity at the sanatorium Kyrgyz Seashore (Issyk-Kul), 13-15 September 1998. About 18 international and Kyrgyz companies were sponsors (including Sanatorium Kyrgyz Seashore, Areopag-Bishkek, Arashan, Kumtor Operating Company, DHL, KATEL and Coca-Cola). Sponsors have supported organisation of the Conference in various ways to the total amount of about US\$18,000, approximately 40% of the total budget. The second case of assistance happened in 1999, when the company Arashan presented two computers to Counterpart.

Among other interviewed NGOs, the women association Diamond and the public foundation For International Tolerance had only single experiences of co-operation with private companies, but on a personal level. Company Asia-Energo Service had provided financial assistance to Diamond to conduct research. And the company Areopag-Trade has provided For International

Tolerance with a 20% discount on the purchase of office equipment on three occasions. The Kyrgyz branch of KRAMDS Bank supported some actions of environmental NGOs.

To the question: 'What type of service does your NGO offer the business sector?' NGOs gave a negative answer. However, all of them recognise the benefits to co-operate with commercial structures and therefore they addressed trust in the private sector regarding concrete tasks and objectives.

The results of the survey among NGOs' representatives showed they that could offer a wide range of services and most importantly, they were ready to provide those service now.

What NGOs can offer businesses:

1. Co-operation on environmental improvement;
2. Clean technology and pure production promotion;
3. Creation of a more positive image;
4. Cause-related marketing and advertising;
5. Organisation of public meetings and discussions;
6. A non-commercial intermediary;
7. Training and education of staff;
8. Project design of campaigns on the protection of consumers' rights; and,
9. Lobby questions during parliamentary hearings.

What NGOs want from businesses:

1. To support NGOs' actions and seminars;
2. Training courses on management, marketing and financial independence;
3. Marketing services;
4. Support in magazine and book publication;
5. Participation of business in discussions on the development of civil society;
6. Project financing.

An analysis of the mass media, literature and surveys showed that NGOs know little about private sector activity. But the business sector is less informed on NGOs' activity. NGOs as well as the business sector have incorrect assumptions about each other. The international conference Social Partnership for Prosperity held by Counterpart Consortium at the Issyk-Kul (Kyrgyzstan) in 1998, confirmed this fact. NGOs assumed that business structures could share their skills in the certain spheres (for example, marketing), however, businessmen objected that presentation of such free services would not be their point of interest. Another example of a wrong judgement is the businessmen' s view about partnership in the form of funds and space providing to NGOs by the state structures and private sector. NGOs' representatives found this point of view very narrow and indicated that the state and private structures need to undertake a more serious management role in the partnership (Counterpart Consortium, Kyrgyzstan 1999).

Each society consists of three interrelated sectors: government, business and

NGO. With the government busy trying to solve the problems of the transition period, and so unable to provide support for the development of NGOs, NGOs may well find that their fruitful relations are with business.

A huge budget deficit, increased debts caused a significant drop of industrial production and devaluation of som, which lost 69% of its value during 1999 in relation to the US dollar. Furthermore, according to the opinion of correspondents of *Vecherny Bishkek* newspaper, because of government corruption, 90% of the business sector profit is lost. Due to the economic crisis during recent years, business in Kyrgyzstan could not provide any real help to NGOs. The main task of the business sector was the fight for survival, especially after the financial crisis in October 1998. Devaluation of the *som* caused a decrease in potential funding relations. As a consequence, interrelations between business and NGOs are not common. Nevertheless, there are some examples of co-operation between private companies and NGOs in Kyrgyzstan.

Such businesses as Areopag-Bishkek, Kumtor Operating Company, Coca-Cola, Katel and others help NGOs in organising conferences and seminars, and in providing buildings and materials improvement of NGOs. Shoro provided financial support and offices for the Society of Invalids, Areopag-Bishkek provided financial support to the Council of Veterans of Kyrgyzstan and communication services to the Independent Lawyers Association. Unfortunately, even this help was not systematic. The research shows that one of the reasons for business sector passivity towards a relationship with NGOs is the lack of information on the goals and activities of the NGOs. Business people do not see a need for, and do not consider any point for their involvement with NGOs. Practically all large companies did not include the co-operation with NGOs in the programmes of their development. In their opinion, the lack of a long-term credit programme from banks does not allow companies to plan such co-operation with NGOs.

Business people also think that NGOs do not provide a rationale for their activity and do not actively engage in developing relations with the business sector. For most entrepreneurs the idea of assisting NGOs is quite new, they do not trust NGOs and prefer charity activity instead of sponsorship. Furthermore, there are fears that too much aid to NGOs can lead to contradictions and confrontation with governmental structures, also seeking financial support for their programmes.

There are no confrontations between business and NGOs, mainly because of an absence of contradictions (as there is almost no interaction) and weak information. Business does not consider NGOs as rivals or competitors. Most of the business respondents were not against help from the NGO sector, and as one of the entrepreneurs said 'we need any help from NGOs'.

Business people interviewed pointed out that there are many barriers in the development of relations between business and NGO. First, the economy of Kyrgyzstan does not have enough private capital and turnover funds for the creation and development of new enterprises. Second, the legislative basis and institutional structure of the business sector are not developed enough to protect private sector interests. So, it is very important to co-operate with NGOs in

lobbying for a code of civil law and a law for companies, particularly the latter.

Another barrier to a development between the sectors, is corruption. It is necessary to provide an economical and financial support from international donors for the development and strengthening of the private sector. But, international financial help became a powerful source of corruption in the country, preventing further realisation of reforms in the Kyrgyz Republic. NGOs together with business should lobby for an anti-corruption programme of openness and transparency. According to the opinion of business representatives, the economic situation in Kyrgyzstan will not improve, but will worsen and this will influence the state of relations with NGOs. Consequently any real development in this area will not get going for several years to come. On the whole, the present situation is such that relations between the business and NGO sectors are not systematic. only sporadic.

Levels of partnership:

- Relations on a personal level (most common; based on personal contacts or friendship between business people and NGOs): approximately 90% of all relations with NGO were on the personal basis.
- Mutual economic interests (goods and service advertising, staff selection, image improvement of the company): the survey showed that business was giving help but not on a charity basis.
- Grant basis (virtually unknown because of financial restraints). Partly it was connected with a lack of patron traditions, which did not develop fast during Soviet period, and partly with the absence of responsibilities of recipients for material help from sponsors. This, probably, caused the low interest of business to provide help in the form of grants.

There are also differing perspectives on the partnership:

- From the point of view of business – charitable gifts, but not grants for the development, preventing society's involvement in the business sphere, subordination of NGOs, development of relations with NGOs to minimise social tensions in society.
- From the point of view of NGOs – development of grant support from business, long-term relationship, equality of partnership, implementing research for business with full independence.

According to business, interactions with NGO could be possible:

1. Support and promote the initiatives of business in the mass media, power structures and public opinion.
2. Strengthen democratic values and institutions.
3. Conduct monitoring programmes, market studies, social research.
4. Protect the principles of justice in society.
5. Provide support to legislative recommendations and protect of business interests in the organs of governmental power (local administration, Jogorku

- Kenesh, government).
6. Train and prepare staff for business and volunteer work.
 7. Improve business's image in the republic and abroad. The Coca-Cola Company was especially interested in credibility in the market.
 8. Goods and service advertisements. Any help from NGOs would be an advertisement of business.
 9. Involve NGOs in resolving local business problems. Usually NGOs on a local level are authorities among local citizens, which makes for easier mediation in the dialogue of business with the public.
 10. Provide objective and independent expertise on projects for business.
 11. Consultation and information help from NGOs, who have experience in analysing and using information.

Businesses may well prove willing to support certain areas of NGO activity:

1. Research programmes on business development (studies on the market, political and socio-economic prognosis, sociological surveys).
2. Training and re-training staff (seminars, training, conferences).
3. Programmes in the fields of social relations, ecology, civic education.
4. Qualified analysis of information (political, economical, social), as most business have problems obtaining of information important to their business.
5. Mass actions, concerts (propaganda of non-violence actions, anti-drug campaign).
6. Work with the public to resolve problems associated with the business operations.
7. Legislative support in strengthening of legal protection of entrepreneurs.

What businesses can offer to NGOs and what businesses want from NGOs:

1. Project sponsorship.
2. Useful other experiences in the surviving the long economic crisis.
3. Decrease of organisational expenses within NGO.
4. Training and retraining of the staff.
5. New ideas for NGO development.
6. Objective assessment of NGO activity.
7. Consultations in the field of strategic planning.
8. Mutually beneficial economic projects.

Reasons for businesses not providing help to NGOs:

- High taxation. The republic's current tax laws do not promote business relation with NGOs. The taxes and obligatory payments from company profits are very high, and the limits of interpretation of tax policy from profits have been broadened. VAT is 20%, surtax (30%), sales tax (2%), road tax (0.08%), deductions to the liquidation fund and prevention of emergency situations (1.5%), and taxes from salaries and deductions for the social fund (33%). Enterprises artificially raise the production costs in order to decrease taxable profits.

- Imperfect legislation. There is no law, which would permit sponsor businesses a non-tax status. The legal status of NGOs in the republic is not clear.
- Political instability in the republic (financial crisis in 1998, Batken events in August-October 1999) and constant inflation and *som* devaluation.
- No accurate information on the possibilities and resources of NGOs.
- The most acute problem for business is imperfection of Kyrgyz laws

There are differences of opinion amongst groups of business people concerning the factors hampering co-operation between the business sector and NGOs. Large businesses named high taxes, irrespective of the level of the company's development. According to an interviewed businessman, 'one *som* of income contains 99 *tyiyns* (cents) of taxes. One *tyiyn* is for development'. Second, the current legislation (no laws for reducing the tax burden from business sponsors of NGOs). Medium businesses pointed to the lack of mechanisms for realising existing laws and regulations and the lack of legislative protection of entrepreneurs. Small businesses think that relationships with NGOs could be improved through simplification of the allowance system. Representatives of all businesses supported implementing a special law against corruption.

4.3. SUMMARY

At present there is virtually no interacting between the second and third sectors, that is, business and NGOs in Kyrgyzstan. The development of such is possible only under economic and political stabilisation in the republic. Furthermore, help from international organisations would be necessary for closer co-operation between the two sectors.

Businesses in Kyrgyzstan are not yet ready to provide help to NGOs, but they are starting to realise the necessity of co-operation with them on a partnership basis. The main reason for the business sector's passivity towards to NGOs is the lack of information on NGO activity and potentials. Another impediment is the endemic corruption of state employees (the majority of business profits are given over to bribes for government permits and licences). As a result, financial possibilities for the co-operation with the NGO sector are very limited.

On the one hand, most NGOs have not fully pursued a relationship with business and so have not shown business the benefits to be derived from their activities. They have relied instead on foreign donors, which is not sustainable in the long-term. On the other hand, businesses fear that a very active support of NGOs could potentially result in a contradictory and confrontational relationship with the state.

Business structures realise that of co-operation with NGOs is necessary to democratic advancement in Kyrgyzstan. During the survey many businessmen stressed the interconnection between democratisation and market relations development. Many pointed out that 'there is no market without freedom'. But, one of the main barriers to co-operation between business and NGOs is an absence of tax privileges which would encourage businesses to help NGOs

financially.

5. UZBEKISTAN

Uzbekistan is a land-locked country located in the heart of Central Asia and shares its borders with virtually all of the other countries of the region. Uzbekistan acquired its independence from the Soviet Union in 1991, has an area of 447,400 square kilometres and a population of around 23 million. Current population growth is 2.08% per annum and the average life expectancy is 68.8 years. Though Uzbeks comprise around 71% of the population, other Turkic nationalities, including Tadjiks, Kazakhs, Tatars, Karakalpaks make up about 13-14%, and are close to Uzbeks on the basis of language and culture - meaning that indigenous Turkic nationalities comprise around 85% of Uzbekistan's population. Virtually all of these ethnic groups are Sunni Muslims, though Uzbekistan is a highly secular society, with much of the population not practising Muslim rituals in their daily life in the same manner that would be common in countries like Iran, Egypt, Pakistan or Saudi Arabia. That being said, Islam has become of far greater prevalence in Uzbekistan's society since the collapse of the atheist Soviet state, and Uzbek-Muslim practices are subsequently becoming more widespread. Other nationalities which make up this highly multi-ethnic country include Russians (8%), Ukrainians, Koreans, Jews and other minority groups. Uzbek has replaced Russian as the official language of the country, though Russian is still pervasive in government, business and international and inter-ethnic relations. The country has also been gradually developing a new national identity since independence, which is primarily based around historically significant figures who lived in the territory of modern day Uzbekistan before Russian colonisation during the 19th Century, including the medieval ruler of Samarkand, Tamerlane, and the philosopher, Olukbek; the celebration of Uzbek culture and its language; and the trade routes of the historical Silk Road. Uzbekistan's capital, Tashkent, with a population of over 2 million, is one of the region's most cosmopolitan and largest cities, as well as the centre of the country's commercial and political life. Other cities of significance are the famous centres of Islam along the Silk Road, particularly Samarkand and Bukhara.

Nearly a decade after achieving formal independence, social development in the Republic of Uzbekistan continues to be closely guided by the institutions of the post-Soviet state. The concept of collapse, in the case of formal collapse, or disbandment, of the Soviet Union as a single political entity in 1991 has been perceived as a physical collapse of social, political and economic institutions in the Republics of the Union. These in turn have been replaced - in some cases virtually overnight - by new economic and political institutions and the creation of new modes of national developmental behaviour which is essentially spurred by the increasingly popular global ideals of democratic societies and market economies. While it is perhaps possible to argue this case in some of the ex-Soviet Republics, in Uzbekistan it may be more accurate to speak of a substitution, or an overhaul of one set of institutions by another, as opposed to the physical removal of Soviet structures such as the Communist Party, education centres, major government economic enterprises, military academies and youth organisations.

Nominal change of political and economic institutions (from Communism to

Democracy, and from state enterprise to joint-stock company), and a promulgated substitution of one socio-political ideological direction and national identity by another (from building socialism based on Marxist-Leninist principles to democratic nation-building founded upon the historic Uzbek national identity), has yet to demonstrate structural change in the overall behaviour of society and politics. Political culture, though illustrating some capacity for plurality and liberalisation during the early 1990s, is firmly controlled by the monolithic figure of President Islam Karimov and his Democratic Party of Uzbekistan. Likewise in the economic sphere, Karimov's government, officially headed by Prime Minister Sultanov, is also by far the largest single dominating force, controlling most of the country's major industrial enterprises and guiding the development of any independent private sector activity within the framework of its administrative controls over the country's business environment. The state controls the banking system, allocates quotas of hard currency to a select number of enterprises only on a priority basis and closely scrutinises, approves or disapproves, any goods which an enterprise wants to import into the country. Further, the state's social, as well as economic, regulation and management functions have continued their dominance in Uzbekistan's post-Soviet development. Associations, to be legally operational, must be registered with the Ministry of Justice if there is a desire for citizens to form any type of group structure. Others are formed on the basis of a Presidential Decree and are hence registered immediately. The President also appoints Hakims - city or suburb mayors or state governors - who are directly responsible to him, and who also have at their disposal the Mahalla Committees which are in effect organised citizens' structures which serve to aid and monitor all aspects of community development.

This brief introduction to social development (in Uzbekistan) and the close proximity which it holds to the role of the state implies that little behavioural change has occurred regarding the manner in which the people of Uzbekistan have reinterpreted their new developmental path since the collapse of the Soviet Union. It may be axiomatic that the visitor to present-day Tashkent, the Uzbek capital, will note far more in the way of physical symbols of both the construction of a new nation based on an indigenous national identity as well as some nascent signs of the encroachment of the international capitalist market economy than was present in the city during the latter years of the Soviet Union. However, while these policy shifts are visible, little has changed regarding the manner in which the Soviet state has traditionally absorbed the citizenry into its institutions or in the pervasive manner it has regulated (or controlled) social, political and economic life.

Within the context of this highly skewed, top-down relationship between the state and the people in the new Uzbekistan, what is the place and status of forces such as the private sector, and organised non-governmental citizens associations (such as NGOs, political parties and professional associations)? In modern-day Uzbekistan, where centuries of Oriental feudalism and seven decades of authoritarian Soviet rule has cultivated a highly patrimonial relationship between the state and society, concepts such as the private sector and non-government citizens' associations are only starting to penetrate the country's social lexicon.

There is little societal awareness or understanding of an organisation such as an

NGO as it exists in the West, and while there is some familiarity with the Soviet concept of *obshchestvennaya organizatsiya* (public organisation), these are usually perceived to be government created organisations through which the Soviet state intended to incorporate various sectors of the population (youth, women and pensioners) rather than what one may refer to as a grassroots organisation created on the basis of the collective interests of individual citizens. Similarly, the manner of doing business in most cases are directed towards an economic agency of the state, rather than working directly with someone in the private sector as would usually be the case between parties to a business contract in a market economy. In the state-dominated economy of Uzbekistan, the private sector can be viewed as either an infant or an invalid, since most of the business activity independent of the government sector takes place in a highly unpredictable, changing and non-transparent institutional framework.

5.1. RELATIONS BETWEEN THE NGO AND BUSINESS SECTORS

Although official government policy is to actively promote the development of the private sector, the state has remained both the dominant economic force and the primary and highly arbitrary regulator of all economic activity inside the Republic. The country's primary sources of hard currency - the cotton sector, gold exploration - as well as the nationally significant oil and gas industry and broader agricultural sector, are very closely controlled by the state. Uzbekistan is one of the world's largest producers and exporters of cotton. Although the crop is harvested by *de facto* independent private rural enterprises, procurement, marketing and trading of cotton in the international commodities market is almost entirely monopolised by the state. The large industrial enterprises sector and infrastructural service entities, while corporatised into joint-stock companies and slated for privatisation, have remained largely under government ownership. The state is highly dominant in the banking sector and also regulates the supply of all imported goods through a compulsory contract registration system. Further, the government also (selectively) controls distribution of hard currency inside the country by withholding currency convertibility rights to all but a select few number of enterprises. The IMF suspended its credit facility to Uzbekistan in December 1996, when the Tashkent government moved away from a freely convertible exchange regime and introduced a tightly administered multiple exchange rate system. Furthermore, the government's explicit domination of the business environment has created significant opportunities for senior government officials or their relatives to control sectors such as the soft drinks industry, cement production, supply of pharmaceutical goods, supermarket chains and other consumer or infrastructural sectors.

In this environment, the burdens on the private entrepreneur are substantial. Businessmen face any number of inspections from government officials (ranging from tax inspectors, to sanitation, to health and safety, and numerous others) who, due to their paltry official public sector salaries (averaging around US\$10-20 per month), have little choice but to seek personal procurement from the fledgling entrepreneur. Bank transactions are highly restricted and businessmen are often prevented from withdrawing funds from their bank accounts or made to pay unreasonable fees for any transactions. Importing virtually anything into the

country without having close connections within the customs agency or the Ministry of Foreign Economic Relations, or without negotiating a service fee is almost impossible. Furthermore, businessmen are often advised on which supplier they should purchase their equipment from and at what prices. Often mild forms of harassment from low-level officials is part of the daily routine confronting business life. The result of the cumbersome and frequently changing regulatory regime over the business environment, together with the various forms of harassment of the small-scale entrepreneur by government officials, is that the majority of small-scale entrepreneurial activity in the country has to take place informally since the present regulations make it extremely difficult for all but the well connected to run a highly profitable, efficient private enterprise. While the president himself has spoken in the defence and promotion of small business on national television, and while both the government and the international community have initiated projects to assist the development of the private sector in the country, at the moment the country finds itself in an awkward position. Formal private sector entrepreneurship is contracting and small scale traders and businessmen are increasingly forced to operate under black market conditions or not operate at all.

Like the private sector, the NGO community is also in a nebulous stage of development. The new law for non-commercial, non-government organisations, passed through the *Oly Majlis* (Parliament) on 14 April 1999 is clearly a significant positive step for the expansion of NGOs in Uzbekistan. To a large degree, it appears to reflect a more open, accepting attitude from the government towards the NGO community as partners to the state in social development. Some commentators suggest that the passing of the 1999 NGO law is a sign of greater social peace in the country, as such a law would never have been passed in the early to mid-1990s, when Uzbekistan was still visibly effected by political and criminal instability. Although these developments should by all means be regarded as positive, there is still much societal uncertainty about the NGO as a philosophical and organisational concept recently imported into the country. The law has yet to show a capacity to create a demarcation between the many types of association registered as NGOs (both government and non-government ones) and the bona fide NGO community. Hence, there is a wide variety of functionally diverse associations in the country calling themselves NGOs, including the businesswomen's group (the BWA), associations of private tourist firms (in major centres of tourism like Bukhara), accountants and auditors' associations, human rights organisations, and even lawyers, doctors and other professionals are also employing this epithet. Even the Tashkent Chamber of Commodity Producers and Entrepreneurs (the former Union of Entrepreneurs from the Soviet period) has declared itself to be an NGO, despite the fact that this organisation was formed in 1996 on the basis of a Presidential Decree, is fully funded by the state, and its Chairman holds the status of a minister.

Observers claim widely differing numbers of NGOs in Uzbekistan: the Ministry of Justice counted 262, Conterpart Consortium, 407, while INTRAC in early 1998 believed only just over 20 *bone fide* NGOs worked in the country.

Government organs tend to be sceptical of non-government citizens groups who seek to register themselves with the Ministry of Justice as NGOs due to the fact

that there is a mistrust of people who claim that they want to establish non-profit organisations. With the exception of associations formed by categories of citizens such as invalids, established academics or perhaps female war veterans, government officials are more often than not likely to suspect that a group is seeking to form an NGO as a smoke-screen for a commercial enterprise since the status of an NGO under both the 1991 and 1999 laws will relieve them from the burden of paying 45% tax on incomes for which they would otherwise be liable. Furthermore, the government may be concerned that a group of citizens may want to form an NGO to employ the organisation as a base for anti-government political activity. In both cases, the Ministry of Justice may choose to refuse registration for an application to establish an NGO. Individuals may also seek to establish an NGO for the purpose procuring donor grants, since legitimate NGOs are targeted for financial aid by the donor community. The lack of any clear-cut definition and function of NGOs, together with government scepticism towards non-commercial organisations, ensures that the NGO community (barring a few notable exceptions), like the private sector, operates in an environment of significant structural uncertainty and subsequent difficulty in undertaking long-term planning within the context of their role in Uzbekistan's social development.

Given the comparative weakness of some of the core forces of civil society *vis-à-vis* the state in Uzbekistan, what role can the NGO community and the private sector play in the country's social development, particularly in assisting it along the path to the aspired goals of a democratic society and market economy? Furthermore, is there space for, or precedent of, co-operation between the NGOs and the private sector in Uzbekistan where both sectors can help nurture the country's social, political and economic re-emergence in the years since Soviet disbandment? While these are broad questions, and while the role and status of the NGOs and the private sector are not yet clearly defined in Uzbekistan, this report will seek to demonstrate that there have been elements of both co-operation between these two relative new-comers to Uzbekistan's developmental stage, and a noticeable role which certain NGOs have been playing in aiding the development of the private sector in the country, and thereby fulfilling one of the central goals of the government's economic reform programme - sustainable private sector development. The development of the private sector as a basis to the creation of a market economy in Uzbekistan is one of the chief stated policy goals of the Karimov government and statements to this effect appear in most of the President's books on the strategic development of Uzbekistan in the post Soviet age (Karimov 1998).

Many of bona fide NGOs presently operating in Uzbekistan have developed a culture of donor dependency and function largely on the financial help and equipment received from foreign institutional sponsors. As in other countries of the former Soviet Union, NGOs in Uzbekistan have benefited enormously from grants and other forms of assistance from organisations such as the Eurasia Foundation, Konrad Adenaur Foundation, Soros's Open Society Institute, the British Know How Fund, the European Commission, USAID and other private and government donors. However, while the donor community appears set to remain in Uzbekistan at least in the medium run, the operational principle of the donors is to nurture their organisations to maturity and financial self-sufficiency, after

which time they will withdraw their presence from the country. The role of NGOs in Uzbekistan's development towards a democratic society and a market economy will not subside after the early transitional period is over, however. Consequently, it is essential for the NGO community in the country to prepare for donor withdrawal by developing mechanisms for the procurement of alternative financial support.

The most logical source of funding from a Western perspective for the NGO sector's activities would be the private sector. However, to date, there is virtually no precedent in the country of the private sector backing behind the NGO community in a joint effort to co-ordinate development activities. While there is an overall lack of societal awareness about NGOs, there appears to be a degree of scepticism about NGOs from those businessmen and public figures in general who are to varying degrees familiar with the NGO community in Uzbekistan. Many businessmen think that NGOs are often founded and headed by commercially-oriented figures who establish and operate their NGOs for profit-making as opposed to developmental purposes. Subsequently they believe that any sponsorship they channel into these organisations will do little more than advance the commercial interests of the directors of the NGOs. Furthermore, even if Uzbekistan's troubled business community were to consider channelling philanthropic funds into the NGO sector, there is presently a major disincentive for businessmen to engage in financial sponsorship of non-commercial organisations: all but 1% of the donations made are subject to the 45% tax on income as applies to standard commercial transactions in the country. Although the Eurasia Foundation in Tashkent, in conjunction with the Dilbarim Women's Centre, is embarking on a project to research mechanisms for creating a more favourable tax environment for businesses who wish to be involved in philanthropic donations, present disincentives and overall business scepticism towards the NGO community undermines the potential for the private sector to potentially replace donors as a financial source for NGOs' development activities in Uzbekistan.

Scope for optimism does exist, however. Some sources inside Uzbekistan, from both the business and NGO communities, suggest that business is, in principle, ready to work with NGOs and willing to support their social development activities. At a regional (Central Asian) conference on social partnership in development held in Kyrgyzstan in September 1998, one businessman suggested that business was ready to assist NGOs in Uzbekistan. However, it appears that at times the problem may be just as much with the NGOs themselves, as with the scepticism of business towards the NGOs or the tax disincentives. Some businessmen who have been approached by NGOs for funding in Uzbekistan complain that NGOs' personnel are often unclear as to why exactly they are seeking funds from the business sector, have no clear proposal for how the funds are to be used and are unable to show a mechanism of accountability for channelling the funds into the development activity. Furthermore, the timing of some NGOs regarding their appointment scheduling with businessmen is said to have been poor on some occasions, they have forced meetings with company directors when the latter already have extensive appointments schedules leaving very little for lengthy or in-depth discussions on potential philanthropical activities.

One of the most illustrative examples of a sound relationship between the private sector and the NGO community in Uzbekistan appear to be the work developed by the Business Women's Associations (BWAs), a confederation of 12 regional associations, registered as NGOs with the Ministry of Justice under the 1991 Law for Public Associations. A new law for NGOs in Uzbekistan has been passed through Parliament in April 1999. While in effect this law supersedes the 1991 Law for Public Associations, there has been no mechanism as yet created to re-register NGOs from the 1991 law to the new law of 1999.

The BWAs, have been active in aiding both male and female entrepreneurs around the country, particularly assisting in the difficult areas of launching a business and getting it registered through the quagmire of government bureaucracy and rentierist officialdom, and subsequently nurturing and protecting the rights of businesspeople against the various encroachments of the state in Uzbekistan's highly unpredictable business climate. Furthermore, another potentially vital function which the BWAs have sought to develop within their portfolio of activities has been the establishment of credit facilities extendible to their member entrepreneurs - mostly through credit unions - which is a vital element in nurturing an indigenous private sector, since shortage of capital is one of the primary obstacles confronting the domestic entrepreneur in the country. Since 1995, the work of the BWAs has become widespread throughout the country, and, by aiding the establishment and defending the rights of hundreds of entrepreneurs, the BWAs have achieved national recognition in Uzbekistan. The BWAs have clearly built bridges this sector of Uzbekistan's NGO community, small and large-scale entrepreneurs, and the government. The work of the BWAs in building explicit links between the NGOs and the private sector (especially the entrepreneurial community) is perhaps rivalled by few other registered NGOs around the country.

One case is that of the Children's Fond (Foundation) of Namengan, a city in the Ferghana Valley more noted for its anti-government Islamist opposition rather than partnership between business and NGOs. In this case, it does appear that the Children's Fond has achieved a modicum of success in persuading some of the city's businessmen to channel funding into this NGO, and has even managed to attract several business figures to sit on the organisation's board of directors. This is a potentially vital precedent for an NGO-private sector partnership in Uzbekistan, since most of the country's bona fide NGOs are highly dependent on international donors for financing.

Another example of good NGO-business relations is the work of the Committee for the Defence of Individual Rights of Uzbekistan. This NGO, essentially founded as a human rights organisation promoting the cause of Uzbekistan's democratic and pluralist development, has recently become very active in defending entrepreneurs' property rights. While the concept of private ownership and clearly defined property rights, consistently enforced by the rule of law, has been one of the rudiments to the development of market economies in the West, Uzbekistan has comparatively little experience in this sector. Thus while contracts may exist on paper, and although one may perceive oneself to be the rightful owner of block of land or a physical establishment, in reality this is not

always so. There are far too many examples across the country of entrepreneurs having been asked to remove themselves from the location of their enterprise once it becomes the subject of interest to any one of a large number of government agencies or personnel. Here the Committee for the Defence of Individual Rights has been quite active in defending the property rights of entrepreneurs and, using its political and juridical powers of advocacy, has on several occasions succeeded in restoring the land title to the original owner.

The next section will seek to expand upon the points introduced above and will particularly highlight the work developed by the Business Women's Associations in nurturing and protecting the development of private entrepreneurship in Uzbekistan. The comments are based on meetings with three of the twelve BWAs nationwide - Tashkent, Samarkand and Bukhara - but given the similarity in the nature of their activities, the comments made should also have resonance for the work of other BWAs in the country.

5.2. CASE STUDY: THE BUSINESS WOMEN'S ASSOCIATIONS

The creation of the first BWAs in Uzbekistan reflected the rising tide of economic decentralisation and nascent entrepreneurial behaviour which was becoming increasingly evident in the Soviet Union during the later stage of the Mikhail Gorbachev's years in the Kremlin. Economic reforms instituted during Gorbachev's secretary-generalship of the Communist Party of the USSR allowed for an increasing degree of private ownership of economic resources, together with the establishment of some profit-oriented trading and production enterprises. These measures induced some normalisation of black market profiteering as well as allowing entrepreneurial individuals the opportunity to experiment with personal business activities. The women who founded the Tashkent and Samarkand BWAs, Dildora Alimbekova and Khadija Djafarova respectively, were both entrepreneurs who had taken personal advantage of the new business climate created during the Gorbachev years. Both had developed notable businesses in Uzbekistan during the last years of the Soviet Union. Djafarova was particularly outgoing in this sense having established a factory for the manufacture of indigenous musical instruments, a production centre for carpets and ceramics, as well as being involved in the construction industry in Samarkand.

Both the Tashkent and Samarkand BWAs were established in 1991 and registered as public associations (*obshchestvennye organizatsii*) - NGOs - under the 1991 law, though Djafarova and Alimbekova had no direct personal knowledge of each other at the time. The two BWAs were founded on the basis of a similar philosophy. The aims of both women were first, to advance and defend their own business interests *vis-à-vis* the state through the collective power of an association and second, to promote entrepreneurial activity, particularly among the female population. Both women understood the many operational level difficulties which female entrepreneurs faced and both had the necessary standing in their communities to advocate and defend the position of this sector of society. Few other government or non-government associations - perhaps with the exception of the Union of Entrepreneurs of Uzbekistan - were

assisting entrepreneurs at the time. Alimbekova and Djafarova seized the opportunity to establish their organisations. Neither of the BWAs received any financial assistance from the government upon their establishment, and since they were formed by funds and interests of the two women and their colleagues in the community, both could be said to be founded as grass-roots, non-commercial organisations.

During the first four years of their establishment, the BWAs had a difficult time gaining recognition as NGOs capable of aiding the cause of local female entrepreneurs since the overall political and economic climate in the first years of independence was generally perceived to be unstable. Their operations remained localised, though the BWAs lobbied some significant business interests within their domain. In 1995, however, Alimbekova's BWA gained an audience with President Karimov, where she was subsequently able to address the numerous problems faced by female entrepreneurs in Uzbekistan to the highest political authority in the country. This led to a degree of national recognition for both the problems faced by female entrepreneurs around the country and the government's moral support for the need to establish more BWA style organisations in Uzbekistan. In the ensuing months, additional BWAs were established and registered as NGOs in different parts of the country. The new BWAs were founded either on the basis of local-private or international donor financial means. The BWA Bukhara branch was established courtesy of a grant provided by Mercy Corps International. They were unified into a loose confederation of 12 national branches: some of which were directly related to Alimbekova's mother BWA in Tashkent, others operated fully independently but still considered part of the same structure (Samarkand and Kokand BWAs). All enjoyed a high degree of autonomy from Tashkent at the local level. The BWAs were united under the one title of *Tadbirkor Ayol* or the Association of Business Women of Uzbekistan.

The official goals of the BWA of Uzbekistan are described by the Tashkent Association to be:

- the creation of favourable conditions for the participation of women in the process of market relations.
- support of their entrepreneurial initiatives.
- defence of their rights.
- expression of the interests of members.
- promotion of different forms of entrepreneurship.
- to strengthen the climate of trust and reliability in business partnership.

Membership of the BWA can be either collective or individual, and representatives from both private and government commercial sectors. At present the BWA claims to have attracted over 3,000 women across the country. Members can also be from the intelligentsia and all of those who support the idea of the BWA. Official BWA financial sources are listed as membership fees (which vary across the different BWAs and range from around 1,000 Uzbek *soum* for individuals to 10,000 *soum* for organisations), grants, sponsorship and funds channelled back into the BWA by organisations and businesses which the BWA

has helped to establish and nurture to a degree of maturity.

Both the Tashkent and the regional BWAs have aided hundreds (if not a greater figure) of women (as well as men) to start businesses and have actively supported them once they are established and have faced various operational problems common to the daily life of running a business in Uzbekistan. Once the BWAs' reputation gained notoriety as an organisation supporting entrepreneurs, numerous individuals (mostly women) throughout the country began to approach the Association to seek advice on starting a business, market opportunities, or simply about putting their skills to productive use in an entrepreneurial capacity. Many more approached the Association for assistance in training themselves to conduct business in (transitional) market conditions. They were particularly about marketing, accounting, advertising, and other rudimentary concepts for doing business in a market economy which are still largely unfamiliar to the majority of would-be small- to medium-scale entrepreneurs in Uzbekistan.

Responding to members and entrepreneurs' needs, the BWA initiated programmes - sometimes in co-operation with international institutions or donor bodies - to train would-be female entrepreneurs on conducting business in a market economy. The BWAs training programmes introduced them to many basic skills necessary to run one's own enterprise in a manner adaptable to the specific conditions of the Uzbek business environment. The Bukhara BWA for example, has become very active in getting out to the rural centres of the oblast to conduct training seminars for female as well as male entrepreneurs, supported by over twenty grants from international donors. A recent grant for around US\$10,000 from the Eurasia Foundation, spells out the entrepreneurial development efforts spearheaded by the Bukhara BWA:

Business Development Grant to the Bukhara Branch of the Business Women's Association in order to ... continue supporting the Association's program to expand the flow of information on business, legal and NGO development issues. The (Association's) program includes: providing information on legal and small business development issues, as well as international NGOs and on foundations as potential sponsors; developing, publishing and distributing a monthly Uzbek language information bulletin on business issues with a circulation of 100 copies distributed free of charge; compiling a small library containing books and magazines on small business development and management issues. (Eurasia 1998)

The Bukhara BWA has also worked closely with the Bukhara Hakimiyat in co-ordinating a government-NGO effort to support the local entrepreneurial sector, and the oblast government has on more than several occasions turned to the BWA for assistance with various business information matters. The Hakim (mayor) of the Bukhara oblast has at times sent a representative from the local taxation authority to participate in the BWA's training and information seminars, thereby giving local entrepreneurs an opportunity to address their grievance at one of the most problematic areas of government officialdom faced by the local entrepreneur, in an amicable communications forum.

The Samarkand BWA, having a vast network of human resources around both

city and oblast, has been active in informing would-be entrepreneurs of market opportunities which they may find attractive. Visible results of the Samarkand BWAs consultation and advisory services to individual entrepreneurs has been the establishment of around 30 confectionery businesses (both street trader and bakery) in the Samarkand oblast, as well as 17 rural enterprises, and over 1,000 local artisan-based arts and crafts small-scale commercial enterprises. While one should consider the types of market research and associated consultative services provided by the Samarkand BWA very much in a Uzbek cultural capacity (very informal discussions and identification of potential business opportunities based on contacts, family ties and other social mechanisms which one would not always consider employing in the developed market economies), the BWA appears to have developed the reputation of a powerful business networking agency, capable of assisting entrepreneurs to start businesses or to solve some of their problems with the government or with other entrepreneurs.

Registering a business through the organs of the government bureaucracy is often identified by local entrepreneurs as one of the chief obstacles to getting into formal business activity. Other major obstacles are the shortage of capital, and at the present time, a non-convertible national currency. It should also be noted that in October 1999 the exchange rate (US dollar to Uzbek *Soum*) stood at 1:150 at the official rate, but fluctuated between 1:600-700 on the black market, a spread of over 400%.

Small-scale entrepreneurs often have little knowledge of their legal rights, while unofficial payments for business registration licenses to government officials should be considered as an operational normality in Uzbekistan's business climate. The BWA has subsequently been very active in trying to alleviate some of the burdens faced by the entrepreneur in this area. In conjunction with several foreign donors and advisory organisations, the BWA has established several full time legal centres. Their main task of which has been to disseminate information about the legal rights of entrepreneurs as well as to offer consultation to businesswomen whose enterprises are in legal difficulties with the state. The Karakalpakstan branch of the BWA in conjunction with the Eurasia Foundation, for example, has recently developed a project to assist entrepreneurs better understand their legal rights, the goal of which is:

to support the training of 100 women entrepreneurs in legal issues. The project includes developing and adapting a training programme; conducting five-month courses in the Karakalpak language that involves Nukus city and 16 *rayons*; and, discussing, formulating and submitting recommendations for improving the laws in business to legislative bodies of Karakalpakstan and Uzbekistan. (Eurasia 1998)

Legal centres are part of the BWA structure, but in some cases have become separate organisations, though founded by the mainstream BWA. Since most of the member entrepreneurs of the BWA cannot afford to pay for legal counselling, having the legal centres within the BWA structure allows BWA members the luxury of this service either for free or at a minimal cost.

Apart from offering legal advice with regards to business registration, there have been numerous examples where the BWAs have actually helped women entrepreneurs to get registered and to operate in the country. In one incident in

the Bukhara oblast, a Tajik woman, and a long-time resident of Uzbekistan, was refused permission to register her business in the Karaul Bazaar *rayon*. The woman received financing from a Tashkent enterprise, Zuhror Ltd, and planned to establish a rural enterprise to grow special oils for perfume production. While the project seemed a worthy enterprise, it was vetoed by the local government authorities, who argued the case that a Tajik woman was not able to establish a business in Uzbekistan - even though a major part of the population of this part of the country are Tajiks from either Uzbekistan or neighbouring Tajikistan itself, many of whom have long operated businesses in Uzbekistan. After several months of advocacy by the Bukhara BWA, the woman was able to establish her enterprise and is currently operational. The BWA has also been active in assisting female entrepreneurs to obtain credit to establish their business - another major obstacle confronting private enterprise development in Uzbekistan. There have been examples - though generally very few if one considers the exercise on a nationwide level - where the (Tashkent) BWA has helped female entrepreneurs obtain finance from both domestic and foreign financial institutions. In the case of Zuhror Ltd, the Tashkent oils producing enterprise already mentioned above, the BWA helped its management to secure a loan of 5 million Uzbek *soum* from a local bank. In the case of another female member entrepreneur, Dildora Alimbekova, National BWA President, personally acted as a guarantor for a loan of US\$25,000 sourced from the Central Asia American Enterprise Fund, an American investment fund operating in Uzbekistan.

Most of the entrepreneurs whom the BWA has assisted to get on their feet, and who subsequently have become its members, are usually either micro enterprises or small businesses who are too weak to effectively advocate their interests against the organs of the state. The BWA, within its own limitations, does this work for them. In return, apart from the payment of membership fees to the Association, members tend to put a lot of 'favours' back into the BWA - providing various services for the mother organisation. These may include supporting services such as allowing the BWA to conduct their meetings in a premise, such as a cafe, which the BWA may have helped establish, knitting a ceremonial garment for Hillary Clinton when the American First Lady visited the BWA in Tashkent and met with Alimbekova, and other similar undertakings.

While men were at first often sceptical of the role and function of the BWA, it now turns out that the Association has a significant number of male entrepreneurs. The Samarkand BWA has 107 male members out of its total listed membership of 1,072. Most of these men, just like the women members, are also small-scale entrepreneurs outside of the narrow circle of well-connected, large-scale businessmen, who are in need of assistance in any one of a significant number of problems and issues confronted daily life of an Uzbekistani businessperson. It should be noted that, while most of its membership is comprised of local small-scale businesspeople, the BWA (especially that Tashkent branch) does have some nationwide businesswomen amongst its membership. Examples include the Hamik Construction firm and the Farmit Pharmaceuticals importer and supplier.

1999 was declared the Year of the Woman in Uzbekistan and as part of the national agenda to promote this theme, the BWA staged a conference in

Tashkent. It aimed to highlight the problems faced by female entrepreneurs, ran consultative workshops which discussed means to resolve these problems, and brought to the conference some of the most senior government officials involved in the development of Uzbekistan's business environment. The event was considered a major success as regards an NGO's ability to bring the national government closer to addressing the needs and problems of Uzbekistan's private entrepreneurial sector. Though the conference was a major public relations success for the BWA, and spurred a formal government acknowledgement of the highly problematic business environment faced by the majority of entrepreneurs, the business climate in Uzbekistan continues to be highly problematic to say the least. Despite all the work developed by the BWA to advance the cause of private enterprise as outlined in the previous pages, the number of businesswomen registered in Uzbekistan has decreased from around 9,000 in 1995 to 3,650 in 1999. While the BWA co-operates with some well-established female entrepreneurs, most of its members remain micro- or small-scale enterprises, from a wide range of economic spheres including farming, agro-industry, commercial, arts and crafts, sowing enterprises, small-scale construction, small cafes and restaurants, confectioneries and bakeries, hairdressers and many others. Despite the deteriorating business climate in the country, however, the BWA is still growing and continues to support the local private sector and entrepreneurial activity.

5.3. CASE STUDY: CHILDREN'S FOND OF NAMENGAN

A more concrete example of an emerging partnership between an NGO and the business community can be found in the city of Namengan, in Uzbekistan's densely populated Ferghana Valley. The Children's Fond (Foundation) of Namengan, established in 1988 in honour of Lenin as a government organisation for children, is one of the few current examples to be found in a country where a registered NGO has harnessed the active support of the business community behind its development activities.

Under the active leadership of a local Russian woman, the Children's Fond of Namengan is reported to have conducted numerous community development projects in conjunction with local entrepreneurs, as well as the city's *Hakimiyat*. In one undertaking, the Children's Fond received funding from both public and private sector businesses in Namengan for the publication of 10,000 copies of a methodological handbook for parents and children. In another exercise in preparation for New Year's Eve in 1998, the Children's Fond procured around 4.5 million *soum* worth of funding, equipment and labour from over forty businessmen around Namengan to repair the town's *detski dom* (Children's House - a social institution designed for the development of children's activities), a major community development project.

The following comment from a Counterpart Consortium report is indicative of the type of partnership developed between the Children's Fond and the local business community in Namengan:

For several years, this organisation has worked successfully with the private

sector in the implementation of social programmes intended to provide support to the children of needy families. The director of the Foundation attributes its success to the fact that they have actively recruited businessmen and entrepreneurs to the organisation's Board of Directors, thus deeply involving these men and women in the Foundation's activities, sharing the needs and vision of the potential partner. (Counterpart Consortium, Uzbekistan, 1998)

The fact that several business figures have acceded to the Children's Fond Board of Directors is especially of interest for the proponents of an NGO-private sector partnership in Uzbekistan. While it would be somewhat careless to look at the Board of Directors of the Children's Fond as if it were a corporate executive structure in an advanced market economy, the fact that the Fond's director has got the business community so closely involved with her NGO is a very optimistic development for Uzbekistan.

5.4. SUMMARY

It is clear that the way in which both government and society perceives the role of the NGO community is still only in the process of taking shape in Uzbekistan. Given the deficit of an engrained tradition of grass-roots organisations formed by the collective interests of individual citizens in the country, both state and society have yet to demonstrate that they have grasped the concept of an NGO as a potentially prime unit of development in the country's nation-building towards a democratic society and market economy.

The attitude of the state towards the NGO sector is showing signs of change, however. Due to the grass-roots and national level social and political activism of some of Uzbekistan's NGOs and their foreign donor partners, the government no longer appears to be taking the attitude that if an association is not created by the state, then it is likely that this association is an adversary or a competitor for power, as opposed to being a potential partner in development. The fact that the Parliament of Uzbekistan has promulgated a new, progressive law on the status and regulation of non-commercial NGOs in the country, has expanded the institutional base for the role of NGOs in development activities in Uzbekistan, further illustrating some positive changes in the operational environment for the NGO community.

Within this context, and given the broad definition in which the government is prepared to register an NGO, there is clearly a large, diverse role that NGOs can fulfil in Uzbekistan's development. When it comes to the topic of developing the private sector, this report has been an (introductory) attempt to demonstrate that certain strands of the NGO community in the country have not only become actively involved in nurturing the development of the country's troubled class of female (as well as male) entrepreneurs, but have become their chief form of advocacy within civil society, without whom this entrepreneurial class simply could not function. While it would be premature to suggest that the BWAs have become one of the country's primary mechanisms of private sector development, one should certainly understand that the BWA has clearly established itself as a very active grass-roots organisation functioning to serve the development and defence of private business in the country. The fact that the BWA is primarily a

grass-roots-focused organisation re-inforces its significance for entrepreneurial development in the country. The BWA on the other hand, has proven to be a highly flexible, adaptable organisation, which has responded to the interests of its member entrepreneurs as required within the framework of the country's business environment.

While the BWA has demonstrated itself to be a capable advocate of grass-roots entrepreneurial development, business perception (and awareness) of the NGO community is generally under-developed, or sceptical at the least. While through the work of the BWA the country is witnessing the NGO community putting a laudable amount of time and resources behind the interests of Uzbekistan's private - entrepreneurial - sector, we have yet to see comparable behaviour from business towards NGOs.

Government - as well as mainstream business - scepticism about individuals wanting to establish a non-commercial NGO has been outlined above and is a major obstacle confronting any potential partnership in development which could be co-ordinated between the two sectors. This is a major structural fault in Uzbekistan's developmental agenda which the country needs to overcome, particularly since the NGO community can potentially contribute substantially towards the country's new process of nation-building and also because the NGO community's current major sponsor - the international donor - is unlikely to remain in Uzbekistan in the long run. Clearly, the country's government, the NGO community, as well as business, will have to re-negotiate the sceptical attitude which the private sector holds for the NGOs and create a new developmental framework through which the two sectors can develop a novel social partnership. In this sense, the precedent set by the Children's Fond of Namengan may deserve closer attention in the effort to understand how such a partnership can develop in the country.

6. CONCLUSIONS

In order to study the relationship between NGOs and business, some of the most famous and largest private firms and NGOs in Central Asia were interviewed. A more detailed survey awaits, but results of our research shows trends and tendencies arising between business and NGOs across the region

NGOs will need to reject the idea that business does not matter and pragmatically take on board the potential NGO role of manipulating capitalism for the good of the peoples of Central Asia.

There is a need to get more businesses interested in NGOs. This can be achieved to a great extent by helping NGOs sell their agendas and capabilities - not themselves - to business. But where are the evangelistic leaders in both the NGO and business sectors of Central Asia to spread the word on the real potential gains of partnership? Will the governments of the region help? Or can foreign donors assist?

NGOs play an important role in the formation of the civil society, democracy development, social protection of people. They consist of active citizens who strive to contribute to resolving the community problems. NGOs possess flexibility, various approaches to concrete problems and the ability to involve volunteers in their work. Having NGOs co-operate with the state and business structures has proved it possible to increase the effectiveness of meaningful objectives for the people. The interests of the three sectors intersect all the time and the well-being of people, to some degree, depends on how much these sectors involve their potential to solve common problems, for example, poverty, starvation, drugs, violence, unemployment, orphans and environmental pollution. There should be developed some conditions for the development of the three sectors, this is, fair, efficient laws and functioning mechanisms. Currently the laws in Central Asia are still in an evolutionary stage, and the mechanisms – in a stage of adoption.

The operating principle of international donors is to support the local NGOs during their early phase of development and to gradually reduce their support as the NGOs become financially self-sufficient and are hence able to attract funding independently from the domestic private sector. Since very few bona fide NGOs are able to operate without donor support, the example of the Children's Fond of Namengan can potentially be a vital precedent of a local NGO's shift towards financial independence from the international donor community as a result of its ability to build a partnership with the domestic private sector.

The development of relations between business and NGO in Central Asia will take time, possibly a long time. It is necessary to elaborate a long-term strategy on these relations to expand the knowledge of business in the third sector and to receive support from it. For these purposes it is necessary to organize joint seminars and conferences with both sectors participating to familiarise themselves with the activity of the organisations and to improve the civil cultural level of entrepreneurship. Assistance from international organisations is required

otherwise the process will be delayed for a long time.

There is a need for both NGOs and business to play the short-term game of funding and services, but also to play the long-term game on this, to see beyond the next campaign or project to where their organisation will be in a generation's time, a time when sustainable development will be not only the mood but also the practical issue of the twenty-first century and beyond.

Recommendations for NGOs who aspire to co-operate with businesses:

1. A more active, wider dissemination of information among the business community on goals and aims of NGOs.
2. NGOs should demonstrate to business the benefits and practical results of their work.
3. It is sensible to include representatives of the business sector on the council of directors of NGOs in order to introduce them to the activity of NGOs.
4. NGOs should elaborate a long-term strategy of their relations with business to increase awareness of business structures in the third sector and possibilities of getting support.
5. Joint seminars and conferences of representatives from business and NGO sectors are necessary to attract business to co-operate with NGOs.
6. NGOs should plan their interactions with business on mutual economic interests: goods and service advertising, staff selection, image improvement of the company, consulting services and collection of information.
7. Conduct special research for business, monitoring and market studies, and social surveys.
8. To interact with business it is necessary to stress that their help to NGOs promotes the reinforcement of democratic values and institutions, the development of democracy and of civil society, which form are the basis for good development.
9. One of the main interests of business towards NGOs is human resources and NGOs' abilities to train and re-train staff.
10. NGOs at the local level could provide practical help to business in resolving problems with the public.

Recommendations for businesses who aspire to cooperate with NGOs:

1. Sponsorship of NGOs will help to improve legal protection for entrepreneurs.
2. Companies should include into development programmes special sections on their relations with NGOs, which would help to eliminate bureaucratic barriers and unnecessary business infrastructures.
3. It is practical to think of NGOs as allies for lobbying laws on business development.
4. Good business relations with NGOs is good business for business.

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