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USAID/CAR
Doing Business conference
Almaty, June 26, 2009

Economic Diversification: The Business of Doing Business

Minister, Ladies and Gentlemen;

I am honored to be with you today to recognize the commitment of the Government of Kazakhstan to business environment reform as measured by the World Bank's Doing Business indicators.

Businesses, especially small and medium sized enterprises (SME), here in Kazakhstan are, like most businesses in the world, facing a very difficult economic environment. This environment is characterized by ever stiffer competition, plummeting profits, job losses and bankruptcies.

The government of Kazakhstan, like most governments, is alarmed with the economic situation and is working hard to implement programs that will help. The government is set to spend hundreds of millions of dollars to extend subsidized financing and guarantees to SMEs, to provide training, and to support an SME-friendly government procurement program. All of these are excellent programs - programs which USAID supports, and which will benefit SMEs.

The program that I am most pleased with, however, is the package of economic reforms, and proposed reforms, that we have come here to discuss today. Ensuring that businesspeople can register businesses, obtain the necessary licenses, pay taxes and can import and export products, to name but a few administrative processes, in ways which do not create unnecessary obstacles or costs is truly the best program that any government can take to benefit SMEs.

SMEs can get by without special government programs, they can access credit, guarantees and training from commercial sources but what they can not get from commercial sources - that which only the government can provide - is an operating environment for businesses which provides transparent, simple and cost effective ways to interact with the government.

What is more, while all countries recognize the key roles that well developed infrastructure and effective education and health systems play in improving countries competitiveness, most countries, even a relatively rich country like Kazakhstan, can not meet all of these needs in the near term. What countries can do in an immediate manner

and for very little cost is to enable enterprises to improve productivity and competitiveness by making it easy for them to operate.

Businesses that can comply with legal norms and administrative practices in a straightforward and cost-effective manner are businesses that take advantage of new opportunities, limit risks, adopt new technologies and manage costs and income in an efficient manner. The key to economic diversification, sustainable job creation and competitiveness is a government which implements norms, policies, and procedures which are supportive of enterprises, especially SMEs.

While economic reforms can be done quickly and do not require large resources, they are not easy to implement. Different government agencies have competing interests and it is often difficult for the government to clearly understand the problems and opportunities which SMEs face (and vice versa). A shared understanding between the public and private sectors is what is required to design and implement effective reforms.

The government of Kazakhstan and its private sector partners has made an excellent start. The joint, intra governmental and private sector working groups have worked hard and effectively, they have designed the reforms that we will hear about today and have well structured plans for future reforms. This is not an easy process and I am very happy that the groups are receiving some much deserved recognition here today.

As an employee of the United States Agency for International Development, I am personally extremely satisfied with the level of cooperation between the government and the private sector. This cooperation is what every development agency strives to achieve. USAID is committed partner in the development and implementation of economic reforms which benefit the people of Kazakhstan.

Thank you.