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The model of the Council of Foreign Investors: how advisory bodies under heads of state stimulate legislative reforms in the energy sector

Abstract. We dedicate an article to the model of the Council of Foreign Investors (CFI) in its role as an advisory body to heads of state, which pushes for legislative changes in the energy sector. In the course of the study, we analyzed the institutional structure of the CFI, how it works and what channels of influence it uses to modernize industry laws. Comparing the experience of Kazakhstan and Ukraine, you can see: Such high–level structures actually help to establish a dialogue between government and capital, make regulation more predictable and reforms faster. Our data suggest that much depends on the effectiveness of CFI, primarily the level of institutional development, transparency in decision-making, and the degree of rapprochement with the executive branch. Thus, CFIs are quite capable of being the instrument that coordinates the interests of the state and investors in matters of energy policy and updating the regulatory framework.

Keywords: Council of Foreign Investors (CFI), Executive Advisory Bodies, Energy Sector Reform, Legislative Governance, Public–Private Dialogue (PPD), Foreign Direct Investment (FDI), Institutional Economics, Energy Policy Modernization, Regulatory Reform, Governance Innovation.

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Модель совета иностранных инвесторов: как консультативные органы при главах государств стимулируют законодательные реформы в энергетическом секторе

Аннотация. Мы посвящаем статью модели Совета иностранных инвесторов (CFI) в его роли консультативного органа при главах государств, который подталкивает к законодательным переменам в энергетике. В ходе исследования мы разобрали институциональный уклад CFI, то как он работает и какие каналы влияния использует для модернизации отраслевых законов.

Сравнив опыт Казахстана и Украины, можно убедиться: такие структуры высокого уровня на деле помогают наладить диалог между властью и капиталом, делают регулирование более предсказуемым и реформы – быстрее. Наши данные говорят о том, что от эффективности CFI зависит многое, в первую очередь уровень развития институтов, прозрачность при вынесении решений и степень сближения с исполнительной властью. Таким образом, CFI вполне способны быть тем инструментом, который координирует интересы государства и инвесторов в вопросах энергетической политики и обновления нормативной базы.

Ключевые слова: Совет иностранных инвесторов (CFI), Исполнительные консультативные органы, Реформа энергетического сектора, Законодательное регулирование, Диалог между государственным и частным секторами (PPD), Прямые иностранные

инвестиции (ПИИ), Институциональная экономика, Модернизация энергетической политики, Реформа регулирования, Инновации в управлении.

INTRODUCTION

In response to these governance challenges, many states have established executive-level advisory bodies designed to institutionalize dialogue between public authorities and private-sector stakeholders. Among the most notable examples are Councils of Foreign Investors (CFIs), which operate directly under Presidents, Prime Ministers, or Cabinets of Ministers. These councils serve as permanent strategic consultation platforms enabling multinational corporations, government ministries, regulators, and policy experts to coordinate on economic and sectoral reforms.

However, despite the growing importance of executive advisory councils in governance systems, academic literature examining their direct role in legislative reform remains limited. Existing research on policy influence primarily focuses on lobbying, campaign financing, political advocacy, or parliamentary influence mechanisms [3]. These approaches do not fully capture the institutionalized and collaborative nature of CFIs operating under executive authority.

This study seeks to address that gap by examining the Council of Foreign Investors as a governance model capable of accelerating legislative modernization in the energy sector. The article explores how executive-level advisory systems facilitate coordination between investors and governments, influence policy development, and contribute to regulatory efficiency.

CONCEPTUAL AND THEORETICAL FRAMEWORK

The influence of Councils of Foreign Investors (CFIs) on energy-sector legislative reform can only be fully understood through a multidimensional theoretical framework combining governance theory, institutional economics, public–private partnership (PPP) models, policy feedback theory, and elite advisory network analysis. These perspectives collectively explain how executive advisory institutions shape policymaking processes, coordinate stakeholders, and influence strategic legislative outcomes.

LITERATURE REVIEW

Public–Private Dialogue Mechanisms

Public–private dialogue (PPD) mechanisms are increasingly recognized as essential instruments for improving governance quality and policy effectiveness. These mechanisms create structured communication channels between governments and private-sector stakeholders, enabling collaborative problem-solving and coordinated policy development. Research indicates that structured engagement with the private sector improves policy implementation in technically complex sectors requiring specialized expertise [6].

3.3 Research Gap

Although extensive literature exists on governance quality, energy reform, institutional economics, and public–private dialogue, relatively little research directly examines the role of executive advisory bodies such as CFIs in shaping legislative reform. Existing studies frequently analyze institutional structures or policy outcomes without exploring the mechanisms through which executive advisory councils influence legislation. Similarly, energy-governance research often prioritizes regulatory frameworks and technological systems while paying limited attention to advisory governance processes [4]. This article addresses that gap by examining CFIs as institutional mechanisms connecting advisory governance, investor–government coordination, and legislative reform in the energy sector.

METHODOLOGY

Case Selection

The study examines several national cases selected according to institutional relevance, energy-sector significance, and availability of governance data. Kazakhstan represents one of the most institutionalized and mature examples of a Council of Foreign Investors operating directly under presidential leadership. The country's resource-intensive economy and strategic energy sector make it particularly suitable for examining the interaction between investor councils and legislative reform. Ukraine provides a transitional governance case characterized by institutional restructuring, energy diversification efforts, and significant regulatory modernization initiatives.

Analytical Framework and Policy Influence Channels

The study evaluates CFIs through three interconnected analytical dimensions.
This dimension examines how CFIs influence legislative processes through: The analytical framework evaluates policy influence channels, executive coordination, and regulatory consultation mechanisms affecting legislative reform. The analysis draws upon literature emphasizing the importance of expertise, institutional access, and governance positioning in shaping policy outcomes [7]. Nevertheless, comparative analysis and triangulation strengthen the reliability of the findings.

MODEL OF THE COUNCIL OF FOREIGN INVESTORS

Structure and Composition

One of the defining features of the CFI model is its direct integration into executive authority structures. In many jurisdictions, the council operates under the leadership of the President or Prime Minister, which significantly increases its institutional legitimacy and policy influence.

CFIs are typically composed of senior government officials, ministers responsible for energy, finance, economy, and infrastructure, regulatory authorities, executives from multinational corporations, representatives of strategic investors and international financial institutions and development organizations. This multi-stakeholder composition enables the integration of technical expertise, investment perspectives, and regulatory knowledge into policy discussions. The structure aligns closely with governance theory emphasizing coordinated interaction between state and non-state actors [6].

Functional Mechanisms

The operational effectiveness of CFIs depends not only on their institutional status but also on their functional mechanisms. Most CFIs operate through specialized working groups dedicated to thematic policy areas such as energy, taxation, infrastructure, environmental regulation, investment policy and digitalization. In the energy sector, working groups analyze regulatory barriers, licensing procedures, investment incentives, and infrastructure modernization priorities. These mechanisms create structured channels through which investors can communicate operational challenges directly to policymakers.

Decision-Influence Channels

CFIs influence legislative reform through several interconnected mechanisms. Participation in Legislative Drafting. CFIs frequently contribute technical expertise during the drafting of laws and regulations. In the energy sector, where legislation often involves highly technical subjects, investor input helps governments design realistic and operationally effective regulatory systems. Research demonstrates that technical expertise and information access significantly shape legislative outcomes [7].

Reform Acceleration Mechanisms. Executive integration enables CFIs to prioritize urgent reforms and reduce bureaucratic delays. This is particularly important during periods of economic restructuring, energy transition, or investment competition. The continuity and institutionalization of CFI engagement distinguish them from fragmented lobbying mechanisms that often lack long-term coordination [5].

MECHANISMS OF LEGISLATIVE REFORM IN THE ENERGY SECTOR

The legislative reform process in the energy sector is an iterative and complex one that is influenced by institutional capacity, interests of stakeholders and governance quality. In this context, Councils of Foreign Investors (CFIs) act as governance buffers between the private sector and policy input; they channelize the private sector interest into policy inputs. They exert their influence most tangibly by three key avenues: through policy advocacy and agenda-setting, through regulatory consultation and support in writing regulations, and through regulatory streamlining in order to enhance the investment climate.

Policy Advocacy and Agenda-Setting

One of the most significant functions of CFIs is their ability to shape policy agendas during the earliest stages of legislative development. Through structured consultations and sectoral working groups, investors identify regulatory bottlenecks, operational inefficiencies, and strategic reform priorities affecting the energy sector. These concerns are then transmitted through formal advisory mechanisms directly to executive authorities.

Regulatory Consultation and Drafting Support

CFIs frequently participate in the formulation of energy legislation by providing technical consultation and drafting support. Working groups often include industry experts, regulatory specialists, corporate legal advisors, government officials and infrastructure and engineering professionals. This collaboration enables governments to design more realistic and operationally effective regulations. The complexity of modern energy systems makes technical expertise indispensable for legislative modernization. Renewable-energy integration, emissions regulation, electricity-market liberalization, and infrastructure modernization all require sophisticated regulatory design.

Research indicates that collaborative policymaking improves implementation quality and reduces regulatory inconsistency [4]. Participation in legislative drafting also enhances policy legitimacy by incorporating stakeholder perspectives into governance processes.

Regulatory Streamlining and Investment Facilitation

Another major contribution of CFIs involves regulatory streamlining and investment facilitation. Energy projects frequently face complex licensing requirements, lengthy approval procedures, and overlapping regulatory obligations. Such barriers increase project costs and discourage foreign investment. CFIs identify administrative inefficiencies and propose reforms aimed at simplifying licensing procedures, harmonizing regulations, reducing administrative duplication, improving permitting timelines, enhancing investment incentives, and supporting renewable-energy deployment.

Empirical evidence demonstrates that governance reforms reducing regulatory uncertainty significantly improve investment performance and renewable-energy expansion [7]. Investment-climate research further shows that transparent and predictable regulations are essential for sustainable economic development [7]. Through coordinated reform proposals, CFIs contribute to transforming fragmented regulatory systems into more efficient and investor-friendly frameworks.

CASE STUDIES AND COMPARATIVE ANALYSIS

Kazakhstan: A Highly Institutionalized CFI Model

Kazakhstan represents one of the most advanced and institutionalized examples of executive advisory governance in the post-Soviet region. The Council of Foreign Investors operates directly under presidential leadership and serves as a strategic coordination platform connecting multinational corporations with executive authorities. The country’s economic structure, heavily dependent on energy exports and resource development, has made investor–government coordination strategically important for national development.

In the energy sector, Kazakhstan’s CFI has played a significant role in:

• Energy-market liberalization.
• Investment-climate modernization.
• Tax-policy reform.
• Infrastructure development.
• Resource-management policy.
• Renewable-energy initiatives.

Ukraine: Transitional Governance and Reform Acceleration

Ukraine presents a more complex institutional environment characterized by political transition, economic restructuring, and energy-sector diversification. Investor advisory structures in Ukraine have contributed to renewable-energy reform, electricity-market modernization, and regulatory harmonization. Particularly following recent geopolitical developments, energy independence and infrastructure modernization became strategic national priorities. Investor councils have supported legislative reforms related to renewable-energy incentives, electricity-market liberalization, grid modernization, energy diversification, and regulatory harmonization with European frameworks.

The Ukrainian case demonstrates both the opportunities and limitations of advisory governance in transitional institutional environments. Although advisory mechanisms contributed to significant reforms, institutional fragmentation and regulatory inconsistency reduced policy efficiency. Compared to Kazakhstan, Ukraine's governance system lacks the same degree of centralized executive coordination, which affects the speed and predictability of legislative implementation. Nevertheless, investor councils played an important role in facilitating dialogue between international investors and government authorities during periods of institutional transformation.

DISCUSSION

This study looked at the Council of Foreign Investors (CFI) as an advisory model for governance and what part it plays in spurring legislative change in the energy sector. The review of the literature and conceptual framework, together with the case studies, points to CFIs being hybrid institutions of a sort: they mix public–private partnership and elite advisory elements with governance networks to steer policy. These findings are put in perspective against prevailing theory and note the attendant risks and limitations.

CFIs as Governance Acceleration Mechanisms

The findings of this study indicate that CFIs function as governance acceleration mechanisms capable of improving coordination between policymaking and implementation. By institutionalizing communication between investors and executive authorities, CFIs reduce information asymmetry and improve policy responsiveness. This aligns closely with governance theory emphasizing the efficiency of networked and collaborative institutional systems [6].

In energy sectors characterized by technical complexity and long investment cycles, accelerated governance coordination becomes particularly important. Kazakhstan demonstrate how executive-level advisory structures can reduce bureaucratic fragmentation and improve legislative responsiveness. It is a form of evidence-based policymaking that improves institutional responsiveness, as has been noted in the broader literature [6].

CONCLUSION AND POLICY IMPLICATIONS

This article examined the Council of Foreign Investors (CFI) as an executive advisory governance model capable of stimulating legislative reform in the energy sector. The study demonstrates that CFIs function as institutional bridges connecting governments and foreign investors through structured public–private dialogue, technical consultation, and executive-level coordination.

The findings indicate that CFIs accelerate policy modernization by:

- Improving stakeholder coordination.
- Enhancing regulatory efficiency.
- Supporting legislative drafting.
- Reducing policy uncertainty.
- Strengthening investment climates.
- Facilitating long-term energy-sector reform.

Comparative analysis further demonstrates that the effectiveness of CFIs depends heavily on institutional quality, executive integration, governance transparency and political commitment. Countries with highly institutionalized advisory systems, such as Kazakhstan, exhibit stronger policy efficiency and more predictable legislative outcomes. Meanwhile, transitional and emerging governance systems demonstrate slower and less consistent reform processes. The study also identifies important governance risks associated with executive advisory structures, including potential elite capture and unequal stakeholder representation.

Overall, when properly institutionalized and transparently governed, Councils of Foreign Investors represent valuable governance innovations capable of accelerating legislative modernization, strengthening investment climates, and supporting sustainable energy transformation.

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