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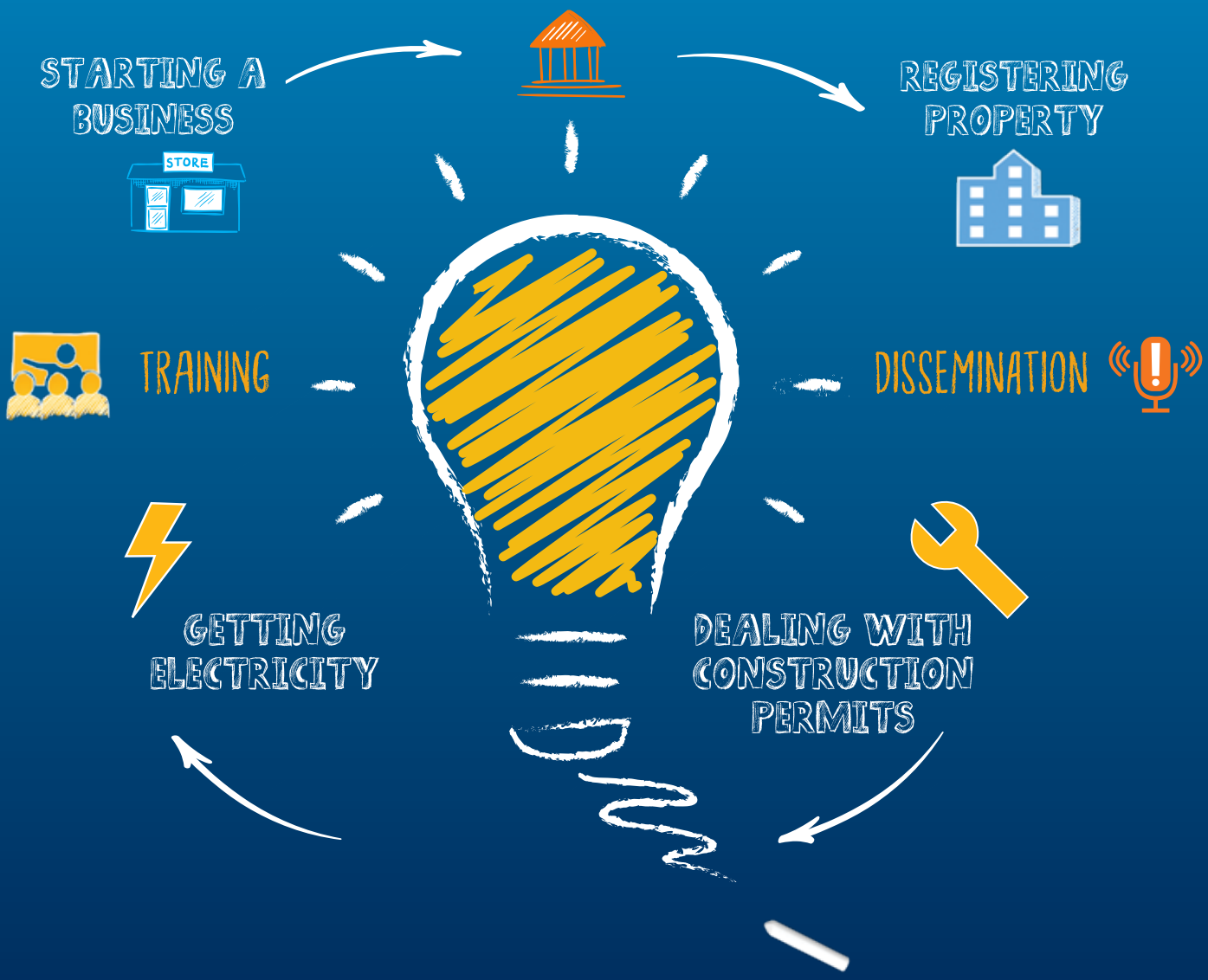

*Comparing Business Regulation for Domestic Firms in **16 Kazakhstani Locations** with 189 Other Economies*

WORLD BANK GROUP

SUBNATIONAL DOING BUSINESS

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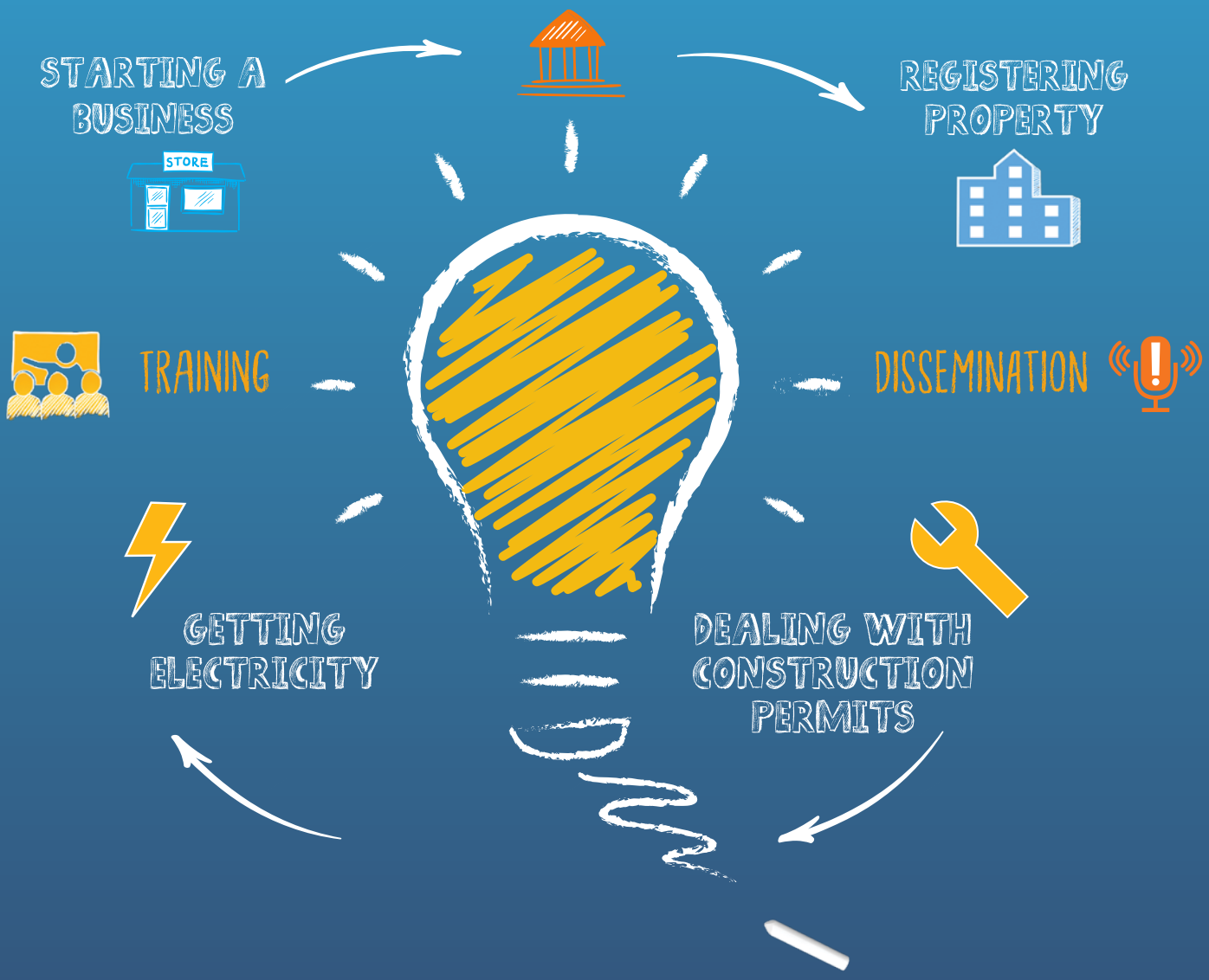

Comparing Business Regulation for Domestic Firms in ***16 Kazakhstani Locations*** *with 189 Other Economies*

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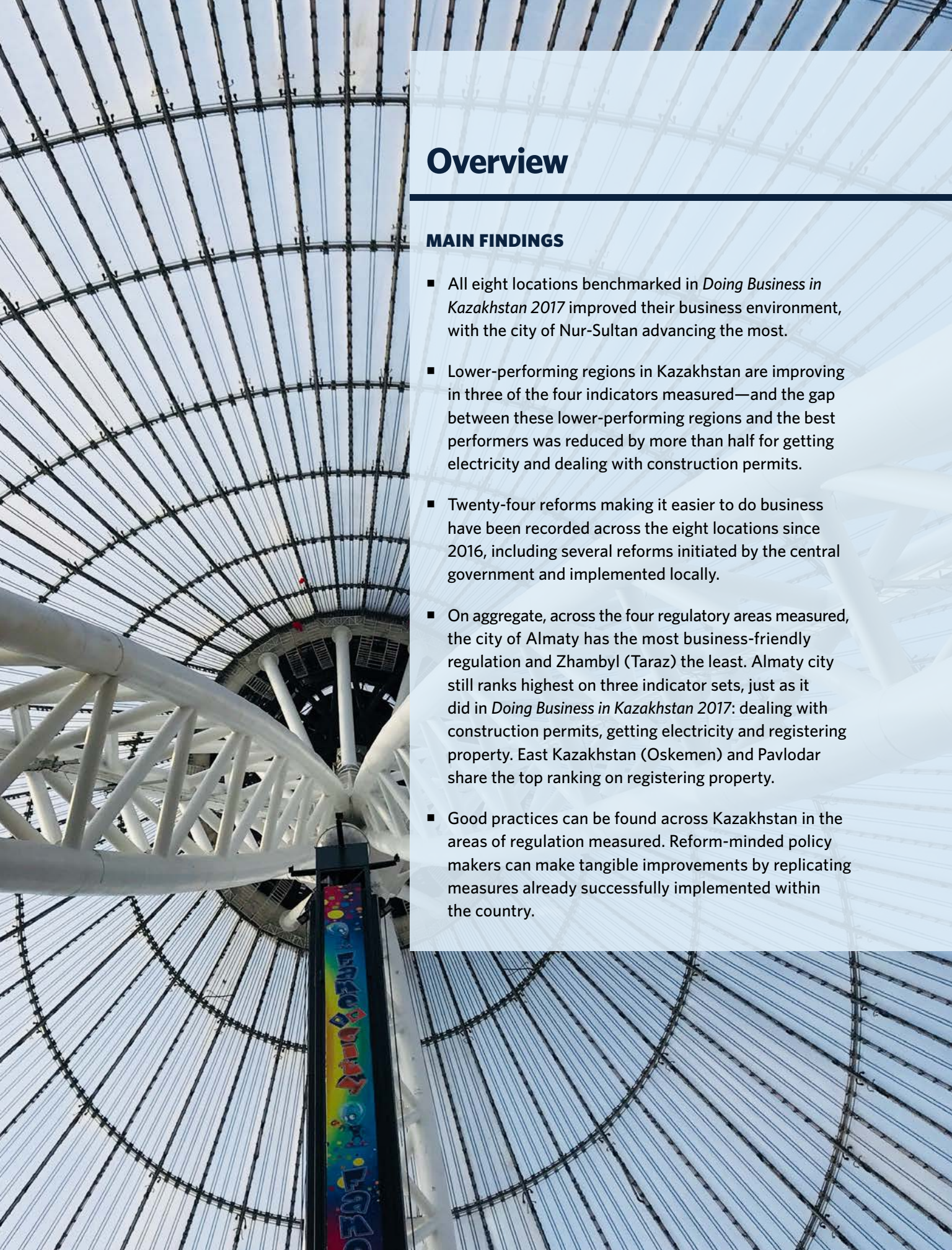


Overview

MAIN FINDINGS

- All eight locations benchmarked in *Doing Business in Kazakhstan 2017* improved their business environment, with the city of Nur-Sultan advancing the most.
- Lower-performing regions in Kazakhstan are improving in three of the four indicators measured—and the gap between these lower-performing regions and the best performers was reduced by more than half for getting electricity and dealing with construction permits.
- Twenty-four reforms making it easier to do business have been recorded across the eight locations since 2016, including several reforms initiated by the central government and implemented locally.
- On aggregate, across the four regulatory areas measured, the city of Almaty has the most business-friendly regulation and Zhambyl (Taraz) the least. Almaty city still ranks highest on three indicator sets, just as it did in *Doing Business in Kazakhstan 2017*: dealing with construction permits, getting electricity and registering property. East Kazakhstan (Oskemen) and Pavlodar share the top ranking on registering property.
- Good practices can be found across Kazakhstan in the areas of regulation measured. Reform-minded policy makers can make tangible improvements by replicating measures already successfully implemented within the country.

In any economy, creating a level playing field for small and medium-size enterprises (SMEs) is crucial to ensure that entrepreneurs with good, innovative ideas can start and grow businesses, generate employment and help diversify the economy. This is particularly true in a country like Kazakhstan, which relies heavily on extractive industries and where industrial and service sectors are still crowded out by state-owned-enterprises. Many of the country's leading sectors are dominated by companies owned by Kazakhstan's national holding company Samruk-Kazyna—including the extractive sector, transport and logistics, and information and telecommunications.[1]

Having the right regulatory environment can help improve the business climate. Business regulations that are clear, simple and coherent can provide the stable and predictable rules that firms need to function effectively, encouraging sustainable long-term growth and diversified economic development. Conversely, excessive regulation can constrain firms' ability to scale up and compete, thus undercutting their chances to become more productive, operate internationally and attract foreign investment.

Good commercial regulation is a powerful tool that can help SMEs overcome major obstacles that affect entrepreneurs in Kazakhstan, such as low productivity and corruption.[2] Kazakhstan has many SMEs by international standards, but their contribution to the economy is low.[3] To increase their share of economic activity, entrepreneurs should be able to spend less time dealing with administrative matters and more time growing their businesses and creating jobs. This requires streamlined business regulations. The government has already set a target to double the contribution of SMEs to economic growth by 2050—to 50%, up from 25% today—and to boost productivity, which has been falling in Kazakhstan for the past few years.[4]

Better business regulations can also reduce corruption. In a survey of companies in Kazakhstan in 2013, 19% of the firms indicated that corruption is the biggest obstacle for operating a business.[5] But evidence suggests that better business regulation can tackle corruption by increasing transparency (figure 1.1). When business regulations are less cumbersome and more transparent, they limit the number of interactions between entrepreneurs and public officials, reducing opportunities for rent-seeking.

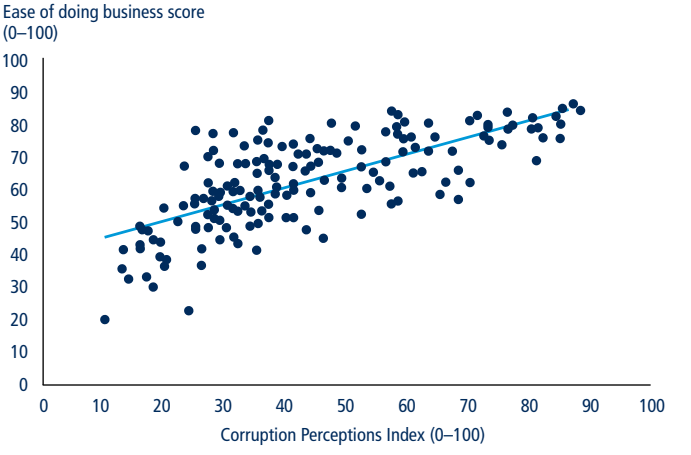
The government of Kazakhstan has embarked on a bold program to reform the investment climate, an effort that has already transformed the regulatory landscape at the national level. Kazakhstani authorities have implemented 43 reforms acknowledged by *Doing Business* since 2008. This effort is ongoing under the Business Roadmap 2020 and extends beyond it with the Kazakhstan 2050 Strategy, which aims to position the country among the 30 most developed nations by 2050.

A key for success will be to ensure that reform initiatives are properly implemented across the country, so that entrepreneurs benefit from efficient, high-quality service delivery at the local level. Pacing of reforms is also crucial to allow the relevant public and private stakeholders to assimilate new regulations and to reduce the risk of creating confusion with a heavy flow of regulatory changes. Tools like *Doing Business in Kazakhstan 2019* help identify the implementation gaps at the point of service in the regions, providing essential input to inform the policy agenda (box 1.1).

WHAT ARE THE MAIN FINDINGS?

It is easiest to start a business in the city of Nur-Sultan; deal with construction permitting in Almaty city and Kyzylorda; obtain an electricity connection in Almaty city, Mangystau (Aktau) and Aktobe; and register property in East Kazakhstan (Oskemen), Pavlodar and the city of Almaty (table 1.1). On aggregate across the four regulatory

FIGURE 1.1 Where business regulations are efficient, entrepreneurs perceive officials as less corrupt



Source: Doing Business and Transparency International databases.

Note: The scatter represents 177 *Doing Business* economies for which Transparency International has data. The ease of doing business score is normalized to range from 0 to 100, with 100 representing the best regulatory performance (the higher the score, the better). The data are from *Doing Business 2019*. Transparency International's Corruption Perceptions Index measures levels of public sector corruption as perceived by experts and businesspeople. The data shown here are for 2018. The index uses a scale of 0 to 100, where 0 is highly corrupt and 100 is very clean.

BOX 1.1 What is *Doing Business in Kazakhstan 2019* and what does it measure?

Doing Business measures the regulatory business environment for small and medium-size enterprises. It assesses whether an economy has good rules and processes to yield positive outcomes for entrepreneurs and increased economic activity. Recognizing that governments play a vital role in bolstering private sector development, it promotes smart regulation. The key premise is simple: clear laws and regulations afford entrepreneurs the confidence and the opportunities to invest. Rules should be efficient, transparent, accessible and enforceable.

In the annual *Doing Business* assessment measuring 190 economies globally, the city of Almaty represents Kazakhstan as its largest business city. However, the city of Almaty does not tell the full story. Kazakhstan has 14 regions (called oblasts) and 177 districts. Depending on where they operate their business, entrepreneurs may encounter differences in how local officials implement business regulations.

Doing Business in Kazakhstan 2019 is the second subnational *Doing Business* study for the country. This edition of the report expands the scope of the first study to eight new regions: Akmola (Kokshetau), Atyrau, the Almaty region (Taldykorgan), Kyzylorda, Mangystau (Aktau), North Kazakhstan (Petropavl), West Kazakhstan (Oral) and Zhambyl (Taraz). In this edition the *Doing Business* measurement applies to 13 regions as well as the cities of Almaty, Nur-Sultan (formerly Astana) and Shymkent.[a] For the eight locations covered in the first report, this study updates the findings across the four regulatory areas: starting a business, dealing with construction permits, getting electricity and registering property. For the eight locations measured for the first time, it provides a baseline of data across these regulatory areas.

The objective of the study is to gain a broader understanding of the business regulatory environment across Kazakhstan—beyond the city of Almaty—as well as to provide good-practice examples and reform recommendations to help guide policy at the national and subnational levels.

a. The locations were selected in agreement with the Ministry of National Economy. All regions are represented except for the Turkistan region (in grey, above), which was created on June 19, 2018, after the *Doing Business in Kazakhstan 2019* project had kicked off.

TABLE 1.1 Where is doing business easier in Kazakhstan—and where not?

Location	Ease of doing business			Starting a business		Dealing with construction permits		Getting electricity		Registering property	
	Aggregate ease of DB ranking	Aggregate ease of DB score 2018	Aggregate ease of DB score 2016	Rank	Ease of DB score	Rank	Ease of DB score	Rank	Ease of DB score	Rank	Ease of DB score
Almaty city	1	↑ 83.74	80.64	9	94.43	1	76.47	1	81.62	1	82.44
Mangystau *(Aktau)*	2	83.04		11	94.42	4	76.03	2	81.05	14	80.65
Aktobe	3	↑ 81.67	78.46	2	94.44	9	74.59	3	76.89	6	80.77
Kyzylorda	4	81.52		8	94.43	2	76.24	6	74.64	6	80.77
Pavlodar	5	↑ 81.36	76.90	2	94.44	11	74.22	7	74.35	1	82.44
Atyrau	6	81.32		9	94.43	13	73.87	4	76.23	6	80.77
North Kazakhstan *(Petropavl)*	7	80.77		12	92.63	12	73.88	5	74.96	4	81.61
Kostanay	8	↑ 80.75	78.41	5	94.43	7	74.99	10	72.81	6	80.77
Akmola *(Kokshetau)*	9	80.48		14	92.46	3	76.07	12	71.79	4	81.61
Nur-Sultan	10	↑ 80.38	72.09	1	94.56	8	74.80	13	71.51	14	80.65
West Kazakhstan *(Oral)*	11	80.27		2	94.44	15	72.75	8	73.13	6	80.77
Shymkent	12	↑ 80.18	73.43	6	94.43	16	72.59	9	72.92	6	80.77
Almaty region *(Taldykorgan)*	13	80.06		15	91.14	5	75.99	11	72.46	14	80.65
Karagandy	14	↑ 79.40	73.58	7	94.43	10	74.54	16	67.86	6	80.77
East Kazakhstan *(Oskemen)*	15	↑ 79.16	76.33	13	92.63	14	73.60	15	67.99	1	82.44
Zhambyl *(Taraz)*	16	78.92		16	91.09	6	75.23	14	68.59	6	80.77

Source: Doing Business database.

Note: The aggregate ease of doing business rankings are based on the average of each location's ease of doing business scores for the four indicators measured in the report. The score for each indicator shows how far a location is from the best performance achieved by any economy on each *Doing Business* indicator. The score is normalized to range from 0 to 100, with 100 representing the best regulatory performance (the higher the score, the better). The scores for both 2016 and 2018 are based on the most recent *Doing Business* methodology. For more details, see the chapter "About *Doing Business* and *Doing Business in Kazakhstan 2019*." A green arrow indicates an improvement in the score between 2016 and 2018 for the eight locations benchmarked in *Doing Business in Kazakhstan 2017*. The complete data set can be found on the *Doing Business* website at http://www.doingbusiness.org.

areas measured, the city of Almaty has the most business-friendly regulation and Zhambyl (Taraz) the least.

Almaty city still ranks highest on three indicator sets, just as it did in *Doing Business in Kazakhstan 2017*: dealing with construction permits, getting electricity and registering property. In the area of getting electricity, it consolidated its lead with two reforms. First, the city decreased the time to obtain technical conditions from seven days to five by reducing the number of signatories required to approve and issue this document. Second, it improved the reliability of the power supply by reducing the frequency of outages from 1.2 to less than 1 outage per customer per year. It now scores a perfect 8 on the reliability of supply and transparency of tariffs index.[6]

Almaty city also leads in dealing with construction permits. An entrepreneur now experiences fewer delays when completing permitting procedures, both those administered by public agencies and those administered by licensed private companies. This decline in delays is due partly to strict oversight and partly to the fact that legally set time frames are respected more diligently than in many other places in Kazakhstan. In addition, Almaty is the only city where entrepreneurs can apply for an architectural planning assignment and the technical conditions through a single entry point at the local Public Service Center (PSC). This was made possible by establishing an electronic communication channel between the Department of Architecture and the water and sewerage utility.

East Kazakhstan (Oskemen), Pavlodar and Almaty city share the top ranking on the registering property indicator set. In all three locations a property transfer is completed in 4.5 days, but what sets these regions apart is their score on the quality of land administration index. These are the only locations where both the titles at the land registry and the maps at the cadastre are scanned. Meanwhile, the capital city, Nur-Sultan, remains the easiest place to start a business in Kazakhstan. Its performance is driven by

a higher level of digitization, including in the use of the e-government portal.

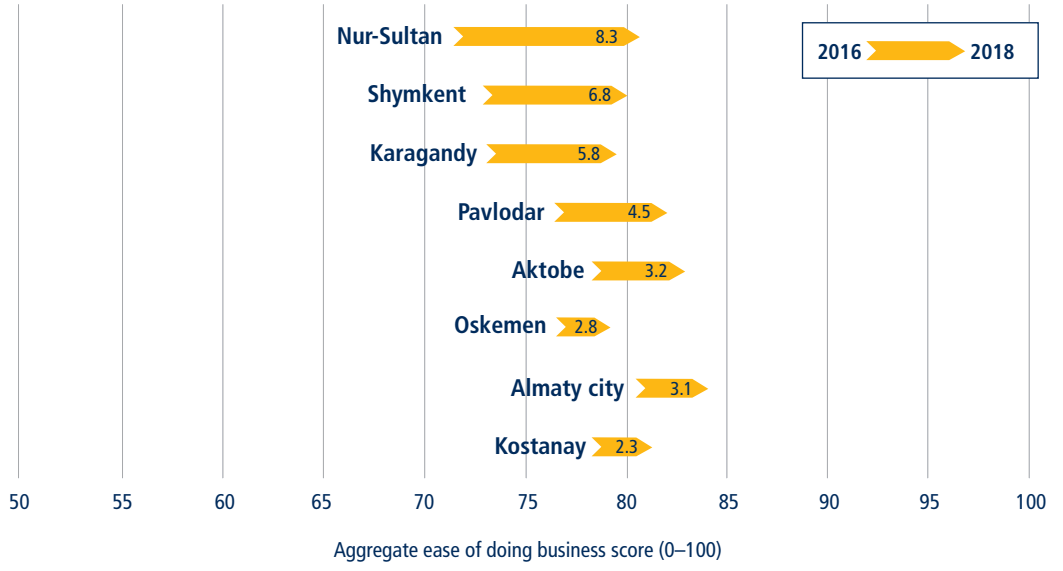
A closer look at the indicator rankings shows that locations in Kazakhstan continue to make progress on the ease of doing business, but they still have room for improvement.

All eight locations benchmarked in *Doing Business in Kazakhstan 2017* improved their business environment, with the city of Nur-Sultan advancing the most (figure 1.2).[7] This suggests a countrywide trend toward global good practices, with less red tape for entrepreneurs. Nur-Sultan, which was ranked last in the first study, has adopted multiple reforms since 2016. In the area of getting electricity, the improvements it has made in the reliability of supply and transparency of tariffs make it easier for SMEs to operate. Entrepreneurs across all regions have also benefited from two streamlined procedures implemented at the national level to register for the value added tax (VAT) when starting a business and to obtain construction permits.

No location does equally well across all the areas measured. Conversely, each location ranks in the top half on at least one indicator. Variations in performance across indicators can help local policy makers identify which regulatory area they can implement more efficiently by learning from another location that does better. For instance, while the Almaty region (Taldykorgan) ranks high on dealing with construction permits (it ranks 5 out of the 16 locations measured), its position on getting electricity is far lower (it ranks 11 out of 16). Almaty could share good practices in the construction permitting process with other regions, but it could also learn from others about getting electricity. Take the case of monitoring and restoring power outages. The city of Taldykorgan (in the Almaty region) records three times as many electricity outages as the city of Almaty. If Taldykorgan implemented an automated system like the one in Almaty city to monitor, prevent and restore outages, it could slash the number of outages from an average of three per customer per year to just one. That would give it the maximum score on the quality index for electricity, and its ranking on the ease of getting electricity would improve by 10 places to the top position, on par with Almaty city. Only two locations make the top half of the ranking across all indicators: Kyzylorda and the city of Almaty.

The lower-performing regions in Kazakhstan are converging toward the top performers in three indicators measured—and the gap between these lower-performing regions and the best performers was cut in more than half for getting electricity and dealing with construction permits. In 2016 the gap between the best performer on the aggregate ease of doing business score, Almaty city, and the worst, Nur-Sultan city, was 8.55 points. However, in 2018 the gap between the best performer,

FIGURE 1.2 The city of Nur-Sultan made the most progress among the eight locations benchmarked in *Doing Business in Kazakhstan 2017*



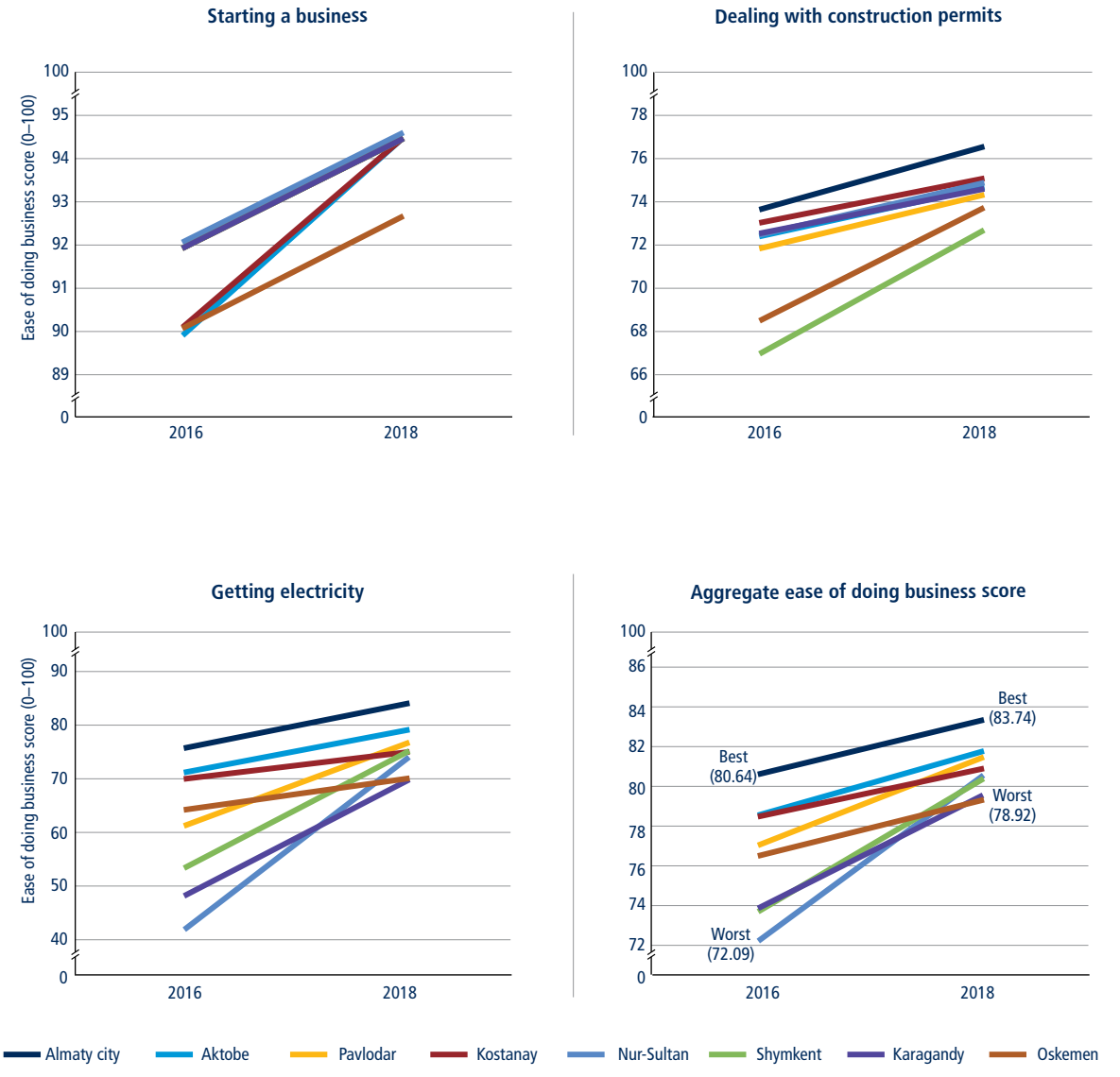
Source: Doing Business database.

Note: The aggregate ease of doing business score is the average score for the four indicators benchmarked in this report. The score is normalized to range from 0 to 100, with 100 representing the best regulatory performance (the higher the score, the better). The scores for both 2016 and 2018 are based on the most recent *Doing Business* methodology. For more details, see the chapter "About *Doing Business* and *Doing Business in Kazakhstan 2019.*"

Almaty city, and the worst, Zhambyl (Taraz), dropped by nearly half, to 4.82 points (figure 1.3). The gap has narrowed the most in the case of getting electricity and starting a business and to a lesser extent in dealing with construction permits. Increased adoption of electronic platforms for business and VAT registrations has eliminated the reliance on lawyers in some regions such as Aktobe and Kostanay, reducing the time, cost and number of procedures for business registration in these locations and bringing them in line with best performers such as Nur-Sultan. East Kazakhstan (Oskemen) is the only location where the majority of entrepreneurs continue to retain lawyers for business registration.

In getting electricity and dealing with construction permits, local authorities play a significant role in determining and implementing business regulations. For getting electricity, the gap between the best and worst performer was reduced by more than 60%, due to better monitoring of electrical outages by Karagandy and the cities of Nur-Sultan and Shymkent.

FIGURE 1.3 The eight locations benchmarked in *Doing Business in Kazakhstan 2017* continue to converge toward the best national performance in three regulatory areas



Source: Doing Business database.

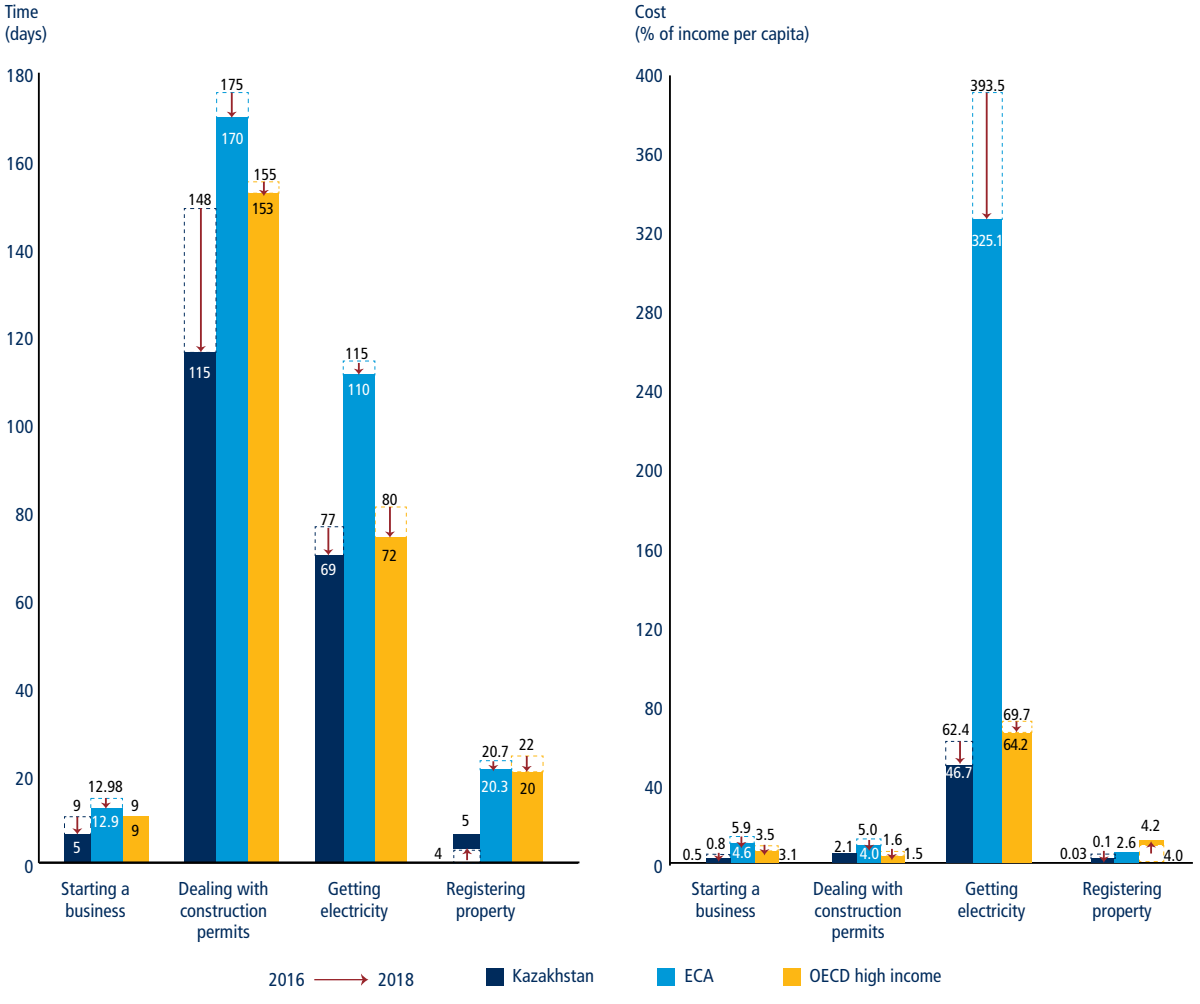
Note: The aggregate ease of doing business score is the average score for the four indicators benchmarked in this report. The score is normalized to range from 0 to 100, with 100 representing the best regulatory performance (the higher the score, the better). The scores for both 2016 and 2018 are based on the most recent *Doing Business* methodology. For more details, see the chapter "About *Doing Business* and *Doing Business in Kazakhstan 2019.*"

Similar improvements in lagging regions have not been evident for the registering property indicator, even though there is ample room to improve in the quality of land administration systems.

National reforms related to dealing with construction permits have also resulted in some convergence toward good practices, though to a lesser extent. The time it takes to deal with construction permits decreased due to the strict oversight of the state corporation Government for Citizens, a noncommercial joint stock company that consolidates various offices and operates as a one-stop shop for more than 750 public services.[8] Individual agencies and the Public Service Centers are now closely monitored to make sure they meet the legal time limits. While not all locations have managed to comply with the legal deadlines to complete construction-related services, most are closer than before. In 2016 the difference in time between the best performer on dealing with construction permits (Almaty city) and the worst (Shymkent) was 82 days; that gap has now closed by more than half, to 39 days.

Kazakhstan outperforms many economies in terms of the time and cost of doing business and the pace of improvements—but regulations remain cumbersome. It takes less than half the time on average to start a business in Kazakhstan than it does in the other Europe and Central Asia (ECA) economies and the OECD high-income economies, and less than a quarter of the time to transfer property (figure 1.4). The cost of doing business also

FIGURE 1.4 The time and cost of doing business are lower in Kazakhstan and have improved faster than in ECA and in OECD high-income economies



Source: Doing Business database.

Note: The averages for Europe and Central Asia (ECA) are based on economy-level data for the 23 ECA economies. The OECD high-income averages are based on economy-level data for the 33 OECD high-income economies.

tends to be lower, except in construction permitting. The cost to start a business, connect to the electricity grid and register a property in Kazakhstan is a fraction of these costs in ECA and OECD high-income economies. For instance, it costs 46.7% of income per capita to obtain electricity in Kazakhstan—less than 15% of the average in all ECA economies.

Locations in Kazakhstan have also been faster at reducing the cost and time to do business. In three out of the four regulatory areas benchmarked in this study (starting a business, dealing with construction permits and getting electricity), the time to complete all the necessary requirements has dropped at a faster rate on average than in ECA and among OECD high-income economies. Between 2016 and 2018 the average time it took to start a business decreased by more than half in Kazakhstan compared with less than 1% in OECD high-income and ECA economies. The significant decrease was thanks to greater use of e-government online platforms to incorporate a company and register for VAT. Similarly, between 2016 and 2018 the average cost to register a business dropped by about 30% in Kazakhstan compared with 15% in OECD high-income economies and 5% in ECA economies.

Despite the relative speed and lower costs, challenges remain due to procedural complexity. Dealing with business regulations is still more cumbersome in Kazakhstan than in OECD high-income and ECA economies. Bottlenecks remain, particularly in the area of dealing with construction permits, where entrepreneurs need to obtain a lot of clearances and approvals before and after construction. While it takes an average of 13 procedures to deal with construction permits in OECD high-income economies and 16 in ECA economies, it takes 18 procedures in Kazakhstan, on average. In Almaty city, where the process is least cumbersome, entrepreneurs still have to fulfill 17 requirements to obtain a construction permit.

There are gaps at the regional level in the implementation of central government reforms. Some regulations have been improved on the books but have not been implemented in practice. Both the private sector and public agencies sometimes struggle with the pace of reforms, which might explain some failures in the implementation of new rules. For example, the e-government portal used for company registration has been enhanced with the option to open a bank account online and to subscribe to a mandatory insurance policy to cover employees against accidents, all in a single interaction. But in practice, entrepreneurs continue to visit banks in person to provide signature samples and an imprint of a company seal. This happens despite the 2015 elimination of the requirement to request seal samples to open a bank account and the 2018 amendments to the Entrepreneurial Code prohibiting financial institutions from demanding seal imprints. Similarly, despite the opportunity to subscribe to insurance within the e-portal (offered by three different carriers), no company had made use of the service by the end of the year.

WHAT HAS CHANGED?

Following the release of the first subnational report, *Doing Business in Kazakhstan 2017*, the eight locations measured and the central government set out to implement reforms aimed at improving the delivery of services and the quality of regulation. Only two years separate the two reports; nevertheless, 24 reforms making it easier to do business have been recorded across the eight locations (table 1.2), including several reforms initiated by the central government and implemented locally. Some regulatory changes related to dealing with construction permits and registering property, however, made it slightly more difficult to do business.

Eight reforms between 2016 and 2018 reduced the time to start a business by more than half on average across the eight locations benchmarked in *Doing Business in Kazakhstan 2017*. Most of the reforms were geared toward streamlining postincorporation requirements using online services. For example, in 2016 entrepreneurs had to complete VAT registration in person at the State Revenue Committee office. Now they have the option to register for VAT electronically via the e-government portal during incorporation, or through the State Revenue Committee's website. In addition, the chief executive officer of a newly incorporated company is no longer required to visit the office of the State Revenue Committee to take a photograph upon company registration; this change reduced the VAT registration time from one week to a day.

Improvements to the business environment also came as a result of local reform efforts. East Kazakhstan (Oskemen), Kostanay, Pavlodar and Shymkent city introduced systems to improve the quality of electricity distribution. And in Aktobe and Kostanay, as in five of the other regions measured in 2016, entrepreneurs now rely less on lawyers for business incorporation, prefering to visit the PSC directly to register their business online. This has eliminated one procedure in both locations, cut the time required to start a business by one day and reduced the cost to register a business by more than 90%—to only 0.2% of income per capita—because entrepreneurs who do not use lawyers do not have to pay attorney fees. As a result, Aktobe is the region that has improved the most in starting a business since 2016.

All eight locations have made construction permitting faster since 2016 by reducing approval times, streamlining and eliminating procedures, and improving electronic platforms. These changes were implemented at the national level and have had an effect throughout all the benchmarked locations. Kazakhstan eliminated the clearance of the plans for engineering networks by the Department

TABLE 1.2 Who has made it easier to do business since 2016?

Location	Starting a business		Dealing with construction permits		Getting electricity	
	National	Regional	National	Regional	National	Regional
Almaty city	✔		✔		✔	
Aktobe	✔	✔	✔		✔	
Pavlodar	✔		✔		✔	✔
Shymkent	✔		✔		✔	✔
Kostanay	✔	✔	✔		✔	✔
Nur-Sultan	✔		✔		✔	
East Kazakhstan *(Oskemen)*	✔		✔		✔	✔
Karagandy	✔		✔		✔	

Source: Doing Business database.

Note: This table presents only regulatory reforms making it easier to do business, implemented between December 2016 and December 2018 for the locations benchmarked in *Doing Business in Kazakhstan 2017*. If a location has also implemented changes making it more difficult to do business, only those reforms with a net positive impact are recorded above. See the respective indicator chapters for disaggregated lists of reforms and changes. No positive reform was recorded in the area of registering property.

of Architecture; this reduced the time to deal with construction permits by 5 days in Aktobe and 15 days in East Kazakhstan (Oskemen). Kazakhstan also merged the water utility site inspection with the procedure to connect to water and sewerage services, eliminating the need for two separate interactions. Property registration costs were also lowered by 90% for SMEs. In an effort to make construction permitting easier, Kazakhstan increased the number of construction permitting services carried out by the PSCs, where the legally set deadlines to complete procedures are monitored more closely. Not all changes streamlined the construction permitting process, however. For example, in an effort to simplify postconstruction procedures, Kazakhstan replaced the technical passport with a new procedure. The problem is that entrepreneurs continue to request—and the administration continues to issue—a technical passport. In practice, then, this reform has added a new step and complicated the process instead of simplifying it.

Some of the most extensive reforms were observed in getting electricity. All eight locations benchmarked in *Doing Business in Kazakhstan 2017* improved the quality and reliability of power supply, eliminating the need for an expert opinion and streamlining requests for technical conditions. The locations that most improved in this area were Karagandy and the cities of Nur-Sultan and Shymkent, mainly due to the recording and reporting of data on the frequency and duration of power outages.

All locations benchmarked in 2016 now record and make such data public—a result of new requirements on utilities to provide outage data to the Committee for Atomic and Energy Supervision and Control, as well as the imposition of fines on local utilities that exceed certain outage limits. All locations, including those benchmarked for the first time, now keep information on outages, while only half of the locations benchmarked in *Doing Business in Kazakhstan 2017* were doing so in 2015. In addition, in 2018 Mangystau (Aktau) and Pavlodar instituted an automated mechanism for monitoring and restoring outages, like the cities of Nur-Sultan and Almaty did in 2015. Another change since 2016 is that the Committee for Atomic and Energy Supervision and Control imposes a fine of 125 MCI on electric utilities when outages exceed a certain cap.[9] These reforms have improved the quality and reliability of power supply across Kazakhstan. For locations benchmarked in the previous study, the average reliability of supply and transparency of tariffs index has gone up by 1 point (from 5.2 to 6.2).

Eliminating the need for an expert opinion after external works has reduced the number of procedures, cost and time to obtain a new electricity connection. The private contractors hired to do the external works—not the expert providing an opinion—are now responsible for ensuring compliance with quality standards, and distribution utilities inspect the work to ensure that all approved standards have been met.

Finally, most locations have streamlined the request to obtain technical conditions, complying with the five-day regulatory deadline. In 2016 the Committee for Atomic and Energy Supervision and Control implemented reforms that mandated utilities to issue and approve technical conditions in five days for a connection of 200 kilowatt-hours or less, and prescribed a fine on utilities that failed to meet the new regulatory timeline. To comply with these regulations, utilities have streamlined the approval process for technical conditions. Such is the case in Almaty city, where the utility has reduced the number of signatories required to issue and approve technical conditions, shortening the associated processing time from seven to five days. Across the locations benchmarked in *Doing Business in Kazakhstan 2017*, the average

time to obtain technical conditions dropped by about two days.

Locations in Kazakhstan unified all services for property registration under the control of the state corporation Government for Citizens. This change, introduced in July 2018, streamlines the property transfer process by hosting several services under one roof. However, one of the reform's negative consequences—expected to be temporary—was to add a step for the payment of state registration fees. For the time being, entrepreneurs need to go back to the notary to upload the receipt of payments made at Kazpost or at a commercial bank; this is necessary so the payments can be linked to their property transfer file. (Previously, all payments made at Kazpost or at a commercial bank were directly linked to the property transfer file of the buyer.) Other changes were positive, like the ones introduced in September 2018 that lowered the registration fee by 85%, to 0.03% of the property value—placing the country among the least expensive places to register a property globally.

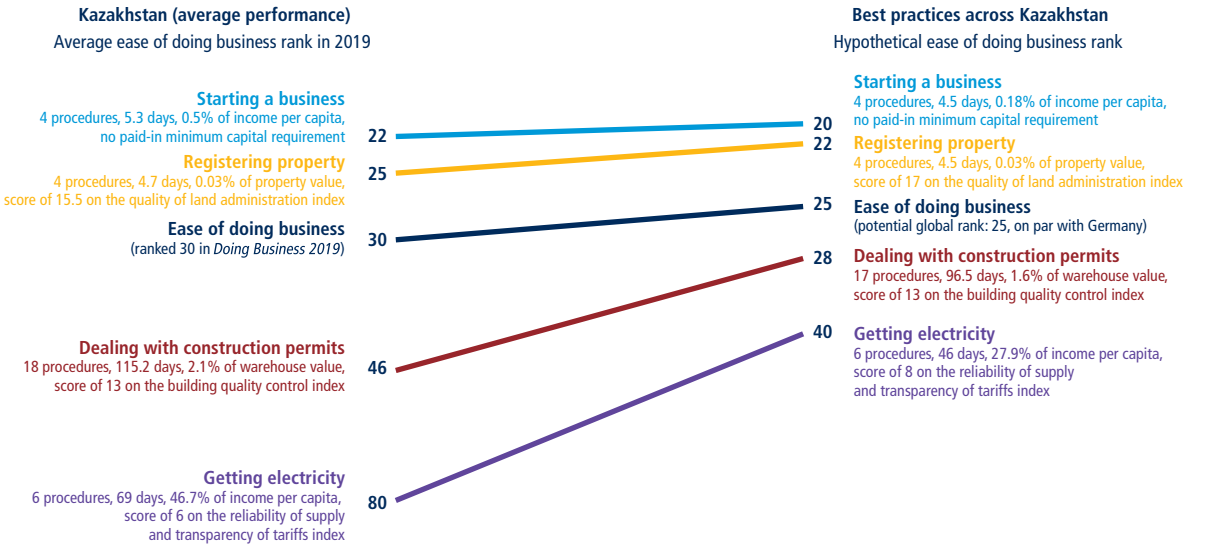
THE WAY FORWARD

The city of Almaty, first measured in *Doing Business in Kazakhstan 2017*, has been a champion of regulatory reform. Thanks to its continuous improvement, it has held on to its top position among locations benchmarked in *Doing Business in Kazakhstan 2019*. And now it is sharing its good practices and lessons learned with other regions. In a peer-to-peer event organized by the Ministry of Energy, Almaty city explained its new online system to apply for technical conditions and its plan to streamline the approval process. Other highlights of the meeting included a discussion of how to efficiently implement reforms decided at the central level, as well as a presentation by power supply and distribution companies on good practices. Some regions credit the lessons they learned from Almaty city's experience with helping them improve the process of connecting to the electricity grid. In fact, East Kazakhstan (Oskemen), North Kazakhstan (Petropavl) and Shymkent city reduced the number of internal approvals needed to issue technical conditions, following Almaty city's example.

Local good practices can be found within the regions as well. If Almaty city, which represents Kazakhstan in the global *Doing Business* report, provided an electricity connection as quickly as North Kazakhstan (Petropavl)—46 days—and at the same cost as Kyzylorda—27.9% of income per capita—Kazakhstan's global ranking on getting electricity would jump 36 spots, from 76 to 40, all else being equal. That would put it on par with Brazil and ahead of OECD high-income economies such as Luxembourg and New Zealand. Similarly, lowering the cost of dealing with construction permits to that of Kostanay—1.6% of the warehouse value—and the time to that of Kyzylorda or Akmola—96.5 days—would improve Kazakhstan's global ranking on dealing with construction permits from 35 to 28, putting it on par with Ireland and ahead of the Kyrgyz Republic and Ukraine (figure 1.5).

The study shows that overall, opportunities to learn good practices can come

FIGURE 1.5 If all good practices across Kazakhstan's regions were adopted, the country's global ranking would improve



Source: Doing Business database.

Note: The average ease of doing business rankings are based on the average performance of the four regulatory areas for the 16 locations benchmarked; the hypothetical rankings are based on the best performances recorded within the country. Those scores are used, along with Almaty city's actual scores for six other regulatory areas measured by *Doing Business* (enforcing contracts, getting credit, protecting minority investors, paying taxes, trading across borders and resolving insolvency), to calculate the hypothetical best score for the overall ease of doing business and the corresponding global ranking.

from within. Placed on a global map with the 190 economies *Doing Business* benchmarks around the world, the average location in Kazakhstan would rank number 32.[10] However, if it were to adopt all the best internal practices in the four regulatory areas benchmarked in the study, its position on the global ranking would improve to 25—on par with Germany and ahead of Azerbaijan. Entrepreneurs in the city of Almaty would save 31.5 days for the four areas covered.

Some regulatory changes are suggested in the various chapters of this study (table 1.3). Improving the efficiency of business regulations has been high on the agenda at the central level. But a top-down approach has some limits. A new wave of regulatory reforms would benefit from the input of local stakeholders; this in turn would increase the sense of ownership of regulatory reform at the local level and reduce gaps in implementation.

Increase ownership at the local level

Kazakhstan has an impressive track record of national reforms, but local policy makers need to go beyond the national framework and address the different obstacles to doing business at the regional level. They should be empowered to introduce practical solutions that make service delivery at the point of contact with customers more efficient and inclusive.

Good initiatives at the local level exist. Take Pavlodar, for example. Like Almaty city, Pavlodar created a comprehensive platform to assist entrepreneurs and citizens alike, called *Open Pavlodar*. The governor announced further efforts to provide potential investors in the region with a full range of services from 10 government agencies. Inspired by examples from the Republic of South Korea, Japan and Georgia, the Pavlodar "Investor's House" is scheduled to operate as a one-stop shop for potential investors by the end of 2019.[11] Other regions could learn from this initiative and adapt it locally.

TABLE 1.3 Summary of reform recommendations to improve the ease of doing business in Kazakhstan

What can be improved?	Relevant institutions and stakeholders
Starting a business	
Make the e-government portal more functional	State corporation Government for Citizens
Complete the phase-out of company seals in practice	Department of Justice
Improve service delivery at Public Service Centers	Government for Citizens
Develop performance indicators to monitor implementation of reforms	State Revenue Committee
Dealing with construction permits	
Integrate electronic platforms and improve communication between agencies involved in construction permitting	Administration of Architecture and Town Planning
Introduce mandatory insurance regimes for latent defects	Administration of State Architectural and Construction Control (GASK)
Take the existing classification of risk categories for buildings a step further and introduce risk-based inspections	Ministry of Investment and Development - Committee on Construction, Housing
Clarify the role of GASK in construction supervision	Government for Citizens
Implement reforms fully, with ample dissemination of information to civil servants and the public	Ministry of Investment and Development - Committee on Construction, Housing; Ministry of National Economy; Government for Citizens; Administration of Architecture and Town Planning; Utilities
Provide technical consultation services on construction permitting to entrepreneurs at the Public Service Centers	Government for Citizens
Increase efficiency by consolidating procedures	Ministry of Investment and Development - Committee on Construction, Housing; Government for Citizens; Administration of Architecture and Town Planning; Utilities
Getting electricity	
Further streamline and enforce rules on excavation permits	Administration of State Architectural and Construction Control (GASK) or its equivalent
Streamline the approval process for project design	Committee for Atomic and Energy Supervision and Control
Consider eliminating the requirement for the scheme of connection route where applicable	Distribution and other utility companies (water, telephone and gas)
Streamline workflow and interaction between distribution utilities and suppliers	Electricity supplier
Create more incentives to improve transparency and reliability of power supply across all locations	Committee for Atomic and Energy Supervision and Control and Regional Distribution Utility Companies
Registering property	
Improve transparency and accountability in the land administration system	Government for Citizens
Strengthen the reliability of the land administration infrastructure by continuing the digitization of titles and cadastral maps	Government for Citizens
Promote the Public Service Centers for property registration	Government for Citizens
Expand geographic coverage	Government for Citizens

Source: Doing Business database.

Note: For a detailed explanation of each recommendation, see the section "What can be improved?" in each corresponding chapter.

There are many ways in which the central government could incentivize local ownership and initiatives to improve business regulation. It could follow the example of the Asia-Pacific Economic Cooperation (APEC). Improving the region's business regulatory environment has been a focus of APEC, and member economies have pledged to carry out regulatory reforms both collectively and unilaterally.[12] To help monitor and assess members' progress toward these commitments, APEC set measurable targets with specific timelines. While these targets are set at the regional level, APEC also encourages its members to draft plans for their own economy that will aid in achieving APEC-wide targets. One set of targets that APEC has chosen for this purpose is based on *Doing Business* indicators, and repeated benchmarking exercises are conducted to measure progress toward the goals.

APEC also encourages capacity-building activities among members in support of its goals. It has selected "champion economies" to provide capacity-building assistance to other members. This approach has worked. The *APEC's Ease of Doing Business—Interim Assessment 2015–2017* found that APEC's combined progress in 2016 was largely exceeding the initial target.[13] Some Kazakhstani regions could become regulatory champions for the country, researching and piloting reforms in a given regulatory area. Sharing the same national legal and regulatory framework would then make it easier to replicate local good practices.

Other structures could be used as well to frame peer-learning initiatives. Take the example of Malaysia, which created a high-powered task force called PEMUDAH to address bureaucracy. The role of the agency is to benchmark good practices to improve the ease of doing business; enhance collaboration among public and private sector agencies to improve the country's competitiveness; and monitor the implementation of the reform initiatives across the country.

Manage the pace of reforms

The pace of reforms aimed at improving the efficiency and transparency of business regulation must be managed to avoid confusion for the implementing agency as well as the customer. Full implementation of new regulations implies proper dissemination campaigns to explain how the new rules apply and how they replace the previous legal framework. Staff in the public agencies involved must be trained beforehand to adequately answer questions from future users. If staff members themselves are struggling to keep up with rapid legislative changes and to explain what the new rules are, entrepreneurs may decide to comply with both the old and the new requirements to be on the safe side, defeating the purpose of streamlining the regulation.

For example, Kazakhstan passed a law intending to get rid of a three-step process to obtain a technical passport for newly constructed buildings. Under the new procedure, a single step at the local PSC should now suffice, as the act of acceptance and the approved project design are used to enter technical characteristics of the building into the State Database of Registered Property. In practice, however, entrepreneurs continue to request—and the administration continues to issue—a technical passport, as this document is still necessary for business purposes other than registering property rights. Consequently, entrepreneurs currently comply with both the former and the current construction permitting regulation, which has added a new procedure and made the process more cumbersome.

It is commonly reported—especially in less populous, more remote locations—that there is a lack of consistent dissemination and training workshops on new reforms. This particularly affects areas where reforms are moving at a fast pace, such as in starting a business. Following recent changes in 2018, for example, public officials felt ill-prepared to explain how to open a bank account through the e-government platform.

Improve staff retention and capacity to provide better support to entrepreneurs

Educating local stakeholders on applicable regulations is challenging with fast-paced reform. It becomes even more complicated when the turnover in public agencies—especially at PSCs—is high. Staff retention rates are generally low across the country, and the incentive of higher private sector salaries leads to high attrition rates. To provide entrepreneurs with better services, it is essential to identify ways to make trained employees stay, such as by offering them a clear and rewarding career track. Recent plans to raise salaries in the public sector by 30% may mitigate the exodus of public officials.[14]

Collect better statistics and make them widely available

Monitoring the implementation of reforms and evaluating their impact will require good data at the central, regional and city levels. Without access to granular statistics, national and local policy makers are not aware of or cannot explain bottlenecks in some areas. Yet statistics on agency performance, service uptake and client demand remain mostly incomplete, and local policy makers often lack access to them. For instance, there is no data on the number of entrepreneurs who register new businesses on the e-government platform individually or through PSCs, or on those who solicit the services of a lawyer. Similarly, there are no statistics on the location of entrepreneurs who attempt to obtain a bank account and insurance online, preventing regional comparison and further analysis.

Lack of awareness about the level of use of the e-government platform, including the speed of uptake of new services offered, prevents regional authorities from customizing local outreach campaigns and incentivizing entrepreneurs to use

all the postregistration services available online. For example, many public officials in regional offices assumed that entrepreneurs were using the e-government portal to open a bank account and obtain mandatory accident insurance for employees, but in reality entrepreneurs simply do not use the system due to its technical limitations. These difficulties were missed by local policy makers, which prevented local agencies from deploying measures to solve issues and bring the e-government portal to its full potential.

NOTES

1. OECD. 2018. R*eforming Kazakhstan: Progress, Challenges and Opportunities*. Paris: OECD Publishing.
2. World Bank. 2019. "Kazakhstan: Reversing Productivity Stagnation." Country Economic Memorandum. Washington, DC: World Bank.
3. OECD. 2018. *SME and Entrepreneurship Policy in Kazakhstan 2018: OECD Studies on SMEs and Entrepreneurship*. Paris: OECD Publishing. Available at https://doi.org/10.1787/9789264301450-en. Although SME density is high, with more than 10 SMEs per 100 working-age adults (surpassed only by the Czech Republic among the OECD countries), evidence suggests that only 25% of Kazakhstan's gross value added comes from SMEs, which is lower than in any OECD economy.
4. OECD. 2018. *SME and Entrepreneurship Policy in Kazakhstan 2018: OECD Studies on SMEs and Entrepreneurship*. Paris: OECD Publishing.
5. Enterprise Survey database (http://www.enterprisesurveys.org/data/exploreeconomies/2013/kazakhstan), World Bank.
6. The reliability of supply and transparency of tariffs index encompasses quantitative data on the duration and frequency of power outages as well as qualitative information on the mechanisms put in place by the utility for monitoring power outages and restoring power supply, the reporting relationship between the utility and the regulator for power outages, the transparency and accessibility of tariffs, and lastly, whether the utility faces a financial deterrent aimed at limiting outages (such as a requirement to compensate customers or pay fines when outages exceed a certain cap). More information on the methodology is provided in "About *Doing Business* and *Doing Business in Kazakhstan 2019*."
7. Progress between 2016 and 2018 can be measured only for the eight locations that were included in the *Doing Business in Kazakhstan 2017* report. No baseline is available for the eight locations that are benchmarked for the first time in *Doing Business in Kazakhstan 2019*.
8. Government for Citizens was created through the merger of four state-owned enterprises: the Public Service Center of the Ministry of Investment and Development; the Real Estate Center of the Ministry of Justice; the Scientific and Production Center of the Land Cadastre under the Ministry of National Economy; and the State Center of Pension Payments of the Ministry of Health and Social Development.
9. The monthly calculation index (MCI) is a value established by law to calculate social benefits as well as penalties, taxes and other charges. It is determined annually during the budgeting process and is based on the expected inflation rate for the next year. One MCI was equivalent to KZT 2,405 ($7.42) in 2018 and to KZT 2,525 ($7.79) in 2019.
10. The average ease of doing business score for all locations is 77.46, slightly below the city of Almaty, which represents Kazakhstan in the global study, ranking 28 with a score of 77.89.
11. *The Astana Times*. March 1, 2019. "Pavlodar to open Investor's House to boost regional economy." Available at: https://astanatimes.com/2019/03/pavlodar-to-open-investors-house-to-boost-regional-economy/.
12. World Bank. 2012. *Doing Business 2013: Smarter Regulations for Small and Medium-size Enterprises*. Washington, DC: World Bank Group.
13. APEC Secretariat, APEC Policy Support Unit. 2018. *APEC's Ease of Doing Business—Interim Assessment 2015-2017* (publication number: APEC#218-SE-01.11).
14. Kazpravda. February 27, 2019. "Nazarbayev tasked to raise public sector wages by 30%" (https://kazpravda.kz/en/news/president/nazarbayev-tasked-to-raise-public-sector-wages-by-30); Kazinform International News Agency. February 27, 2019. "Wages of low-paid public sector employees to be raised by 30%—Nazarbayev" (https://www.inform.kz/en/wages-of-low-paid-public-sector-employees-to-be-raised-by-30-nazarbayev_a3502525).

AT A GLANCE

Doing Business in Kazakhstan 2019

The second subnational report of the ***Doing Business in Kazakhstan*** series

Full report:www.doingbusiness.org/kazakhstan

Doing Business in Kazakhstan 2019 focuses on business regulations and their enforcement across four *Doing Business* areas. It goes beyond Almaty City to benchmark the cities of Nur-Sultan and Shymkent, as well as thirteen other Kazakhstani regions across four regulatory areas.

This report contains data current as of December 15, 2018 and includes comparisons with other economies based on data from *Doing Business 2019: Training for Reform*.

Doing Business measures aspects of regulation that enable or hinder entrepreneurs in starting, operating or expanding a business—and provides recommendations and good practices for improving the business environment.

Four *Doing Business* indicator sets covering areas of national and local jurisdiction or practice

Starting a business
Records the procedures, time, cost and paid-in minimum capital required for a small or medium-size domestic limited liability company to formally operate.

Registering property
Records the procedures, time and cost required to transfer a property title from one domestic firm to another so that the buyer can use the property to expand its business, use it as collateral or, if necessary, sell it; assesses the quality of the land administration system.

Dealing with construction permits
Records the procedures, time and cost required for a small or medium-size domestic business to obtain the approvals needed to build a commercial warehouse and connect it to water and sewerage; assesses the quality control and safety mechanisms in the construction permitting system.

Getting electricity
Records the procedures, time and cost required or a business to obtain a permanent commercial electricity connection for a standardized warehouse; assesses the reliability of the electricity supply and the transparency of tariffs.

16 locations Akmola (Kokshetau), Aktobe, Atyrau, Almaty (Taldykorgan), East Kazakhstan (Oskemen), Karagandy, Kostanay, Kyzylorda, Mangystau (Aktau), North Kazakhstan (Petropavl), Pavlodar, West Kazakhstan (Oral), Zhambyl (Taraz), the city of Almaty, the city of Nur-Sultan and the city of Shymkent.

Advantages and limitations of the ***Doing Business*** methodology

Focus on the law and practice
Makes the indicators "actionable" because the law is what policy makers can change.

Use of standardized case scenarios
Enables comparability across locations but reduces the scope of the data.

Reliance on expert respondents
Reflects knowledge of those with most experience.

Focus on domestic and formal sector
Keeps attention on the formal sector, where firms are most productive, but does not reflect the informal sector or foreign firms.

***Doing Business* does not cover:**
- ✘ Security
- ✘ Market size
- ✘ Macroeconomic stability
- ✘ State of the financial system
- ✘ Prevalence of bribery and corruption
- ✘ Level of training and skills of the labor force

SUBNATIONAL DOING BUSINESS

This project was requested by the Ministry of National Economy of the Republic of Kazakhstan and implemented by the Global Indicators Group (Development Economics) of the World Bank Group.

About *Doing Business* and *Doing Business in Kazakhstan 2019*

MAIN FINDINGS

- *Doing Business* measures aspects of business regulation affecting small and medium-size domestic firms defined based on standardized case scenarios and located in the largest business city of 190 economies. In addition, for 11 economies a second city is covered.
- *Doing Business* covers 11 areas of business regulation. Ten of these areas—starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency—are included in the ease of doing business score and ease of doing business ranking. *Doing Business* also measures features of labor market regulation, which is not included in these two measures.
- *Doing Business in Kazakhstan 2019* covers four of these areas: starting a business, dealing with construction permits, getting electricity and registering property.
- *Doing Business* and *Doing Business in Kazakhstan 2019* rely on four main sources of information: relevant laws and regulations, expert respondents, government authorities (national and local) and World Bank Group specialists.
- *Doing Business* data are widely used by governments, researchers, international organizations and think tanks to guide policies, conduct research and develop new indexes.
- There are no methodological changes in *Doing Business 2019* data.

Doing Business is founded on the principle that economic activity benefits from clear and coherent rules: rules that set out strong property rights, facilitate the resolution of disputes and provide ontractual partners with protections against arbitrariness and abuse. Such rules are much more effective in promoting growth and development when they are efficient, transparent and accessible to those for whom they are intended. The strength and inclusivity of the rules also have a crucial bearing on how societies distribute the benefits and finance the costs of development strategies and policies.

Good rules create an environment where new entrants with drive and innovative ideas can get started in business and where productive firms can invest, expand and create new jobs. The role of government policy in the daily operations of small and medium-size domestic firms is a central focus of the *Doing Business* data. The objective is to encourage regulation that is efficient, transparent and easy to implement so that businesses can thrive and promote economic and social progress. *Doing Business* data focus on the 11 areas of regulation affecting small and medium-size domestic firms in the largest business city of an economy. The project uses standardized case studies to provide objective, quantitative measures that can be compared across 190 economies.

FACTORS MEASURED BY *DOING BUSINESS* AND SUBNATIONAL *DOING BUSINESS* STUDIES

Doing Business captures several important dimensions of the regulatory environment as it applies to local firms. It provides quantitative indicators on regulation for starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. *Doing Business* also measures features of labor market regulation. Although *Doing Business* does not present rankings of economies on the labor market regulation indicators or include the topic in the aggregate ease of doing business score or ranking on the ease of doing business, it does present the data for these indicators. Subnational *Doing Business* studies cover a subset of the 11 areas of business regulation that *Doing Business* covers across 190 economies (table 2.1). These studies focus on indicators that are most likely to vary from city to city, such as those on dealing with construction permits or registering property. Indicators that use a legal scoring methodology, such as those on getting credit or protecting minority investors, are typically excluded because they mostly look at national laws with general applicability.

The subnational *Doing Business* studies expand the *Doing Business* analysis beyond the largest business city of an economy. They measure variation in regulations or in the implementation of national laws across locations within an economy (as in Kazakhstan) or a region (as in the European Union). Projects are undertaken at the request of governments.

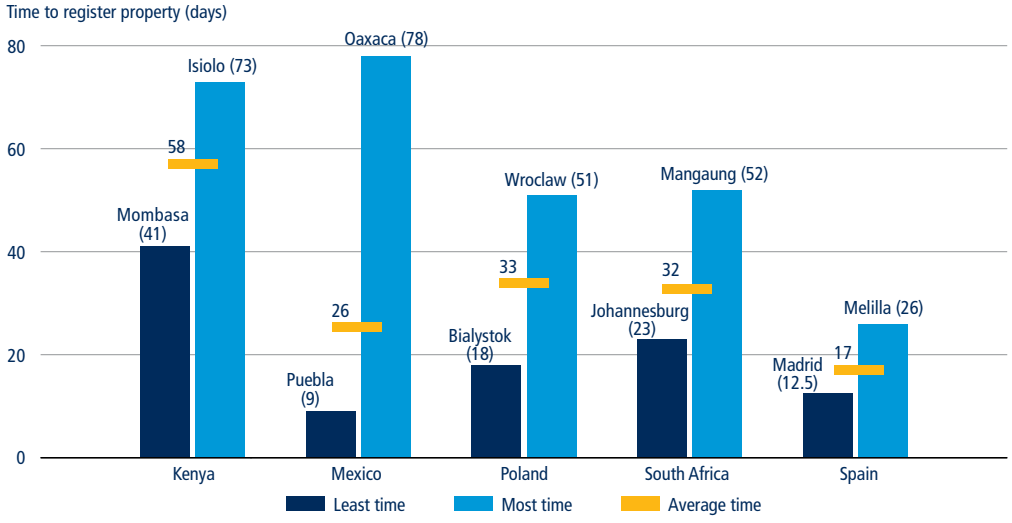
Data collected by subnational studies show that there can be substantial variation within an economy (figure 2.1). In Mexico in 2016, for example, registering a property transfer took as few as 9 days in the state of Puebla and as many as 78 in Oaxaca. Indeed, within the same economy one can find locations that perform as well as economies ranking in the top 20 on the ease of registering property and locations that perform as poorly as economies ranking in the bottom 40 on that indicator.

The subnational *Doing Business* studies produce disaggregated data on business regulation. But they go beyond a data

TABLE 2.1 What *Doing Business* and subnational *Doing Business* studies measure—11 areas of business regulation

Indicator set	What is measured
Included in subnational *Doing Business* reports	
Starting a business	Procedures, time, cost and paid-in minimum capital to start a limited liability company
Dealing with construction permits	Procedures, time and cost to complete all formalities to build a commercial warehouse and the quality control and safety mechanisms in the construction permitting system
Getting electricity	Procedures, time and cost to get connected to the electrical grid, the reliability of the electricity supply and the transparency of tariffs
Registering property	Procedures, time and cost to transfer a property and the quality of the land administration system
Trading across borders	Time and cost to export the product of comparative advantage and import auto parts
Enforcing contracts	Time and cost to resolve a commercial dispute and the quality of judicial processes
Not typically included in subnational *Doing Business* reports	
Getting credit	Movable collateral laws and credit information systems
Protecting minority investors	Minority shareholders' rights in related-party transactions and in corporate governance
Paying taxes	Payments, time and total tax rate for a firm to comply with all tax regulations as well as postfiling processes
Resolving insolvency	Time, cost, outcome and recovery rate for a commercial insolvency and the strength of the legal framework for insolvency
Labor market regulation	Flexibility in employment regulation and aspects of job quality

FIGURE 2.1 Different locations, different regulatory processes, same economy



Source: Subnational *Doing Business* database.

Note: The average time shown for each economy is based on all locations covered by the data: 11 cities in Kenya in 2016, 32 states in Mexico in 2016, 18 cities in Poland in 2015, 9 cities in South Africa in 2015 and 19 cities in Spain in 2015.

collection exercise. They have proved to be strong motivators for regulatory reform at the local level:

- The data produced are comparable across locations within the economy and internationally, enabling locations to benchmark their results both locally and globally. Comparisons of locations within the same economy that share the same legal and regulatory framework can be revealing: local officials find it hard to explain why *Doing Business* is more difficult in their jurisdiction than in a neighboring one.

- Pointing out good practices that exist in some locations but not others within an economy helps policy makers recognize the potential for replicating these good practices. This can prompt discussions of regulatory reform across different levels of government, providing opportunities for local governments and agencies to learn from one another and resulting in local ownership and capacity building.

Since 2005 subnational reports have covered 529 locations in 77 economies, including Colombia, the Arab Republic of Egypt, Italy, the Philippines and Serbia (figure 2.2). Seventeen economies—including Colombia, Indonesia, Kenya, Mexico, Nigeria, the Philippines, the Russian Federation, and South Africa—have undertaken two or more rounds of subnational data collection to measure progress over time. Recently subnational studies were completed in Afghanistan, Colombia, the European Union (Bulgaria, Hungary and Romania in one report and Croatia, the Czech Republic, Portugal and Slovakia in another) and Mozambique. Ongoing studies include those in the European Union (Greece, Ireland and Italy), Peru, and Malaysia.

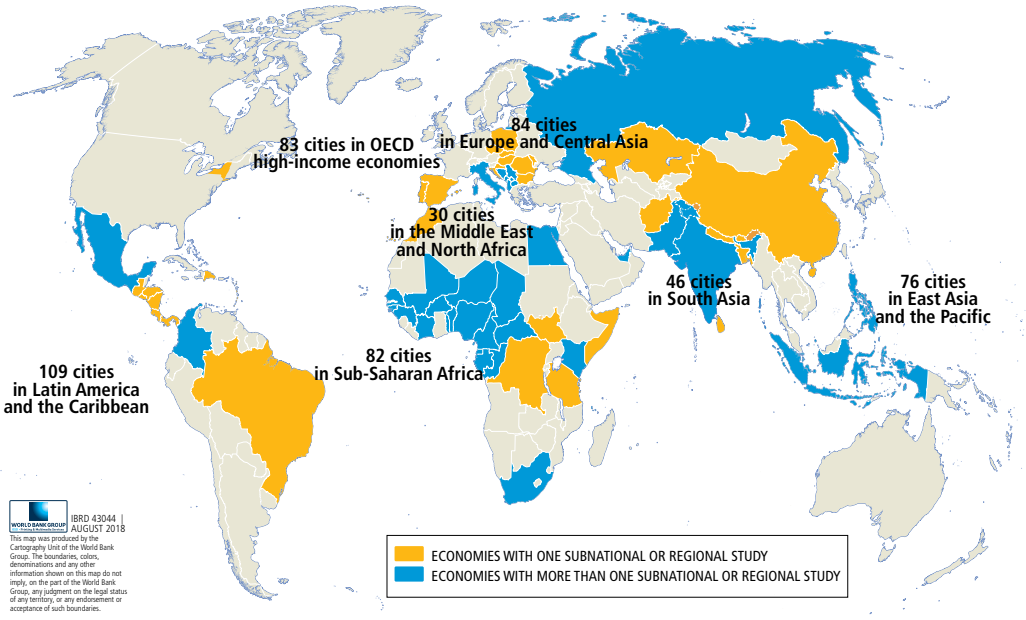
Doing Business in Kazakhstan 2019 is the second subnational *Doing Business* study for Kazakhstan. It benchmarks business regulations and their enforcement in sixteen locations across four regulatory areas (starting a business, dealing with construction permits, getting electricity and registering property).

How the indicators are selected

The design of the *Doing Business* indicators has been informed by theoretical insights gleaned from extensive research and the literature on the role of institutions in enabling economic development.[1] In addition, the background papers developing the methodology for each of the *Doing Business* indicator sets have established the importance of the rules and regulations that *Doing Business* focuses on for such economic outcomes as trade volumes, foreign direct investment (FDI), market capitalization in stock exchanges and private credit as a percentage of GDP.[2]

The choice of the 11 sets of *Doing Business* indicators has also been guided by economic research and firm-level data, specifically data from the World Bank Enterprise Surveys.[3] These surveys provide data highlighting the main obstacles to business activity as reported by entrepreneurs in more than 136,880 companies in 139 economies. Access to finance and access to electricity, for example, are among the

FIGURE 2.2 Comparing regulation at the local level: subnational *Doing Business* studies



Source: Subnational *Doing Business* database.

factors identified by the surveys as important to businesses—inspiring the design of the *Doing Business* indicators on getting credit and getting electricity.

Some *Doing Business* indicators give a higher score for more regulation and better-functioning institutions (such as courts). For example, in the area of protecting minority investors higher scores are given for stricter disclosure requirements for related-party transactions. Higher scores are also given for a simplified way of applying regulation that keeps compliance costs for firms low—such as by easing the burden of business start-up formalities with a one-stop shop or through a single online portal. Finally, *Doing Business* scores reward economies that apply a risk-based approach to regulation as a way to address social and environmental concerns—such as by imposing a greater regulatory burden on activities that pose a high risk to the population and a lesser one on lower-risk activities. Thus the economies that rank highest on the ease of doing business are not those where there is no regulation—but those where governments have managed to create rules that facilitate interactions in the marketplace without needlessly hindering the development of the private sector.

The four *Doing Business* indicator sets included in this study—starting a business, dealing with construction permits, getting electricity and registering property—were selected in collaboration with the Ministry of National Economy. They are based on their relevance for the country's development and their ability to show variation across the locations covered.

EASE OF DOING BUSINESS SCORE AND EASE OF DOING BUSINESS RANKING

The *Doing Business* report presents results for two aggregate measures: the ease of doing business score (formerly called the distance to frontier score) and the ease of doing business ranking, which is based on the ease of doing business score. The ease of doing business ranking compares economies with one another; the ease of doing business score benchmarks economies with respect to regulatory best practice, showing the absolute distance to the best regulatory performance on each *Doing Business* indicator. When compared across years, the ease of doing business score shows how much the regulatory environment for local entrepreneurs in an economy has changed over time in absolute terms, while the ease of doing business ranking can show only how much the regulatory environment has changed relative to that in ther economies.

Ease of doing business score

The ease of doing business score captures the gap between an economy's performance and a measure of best practice across the entire sample of 41 indicators for 10 *Doing Business* topics (the labor market regulation indicators are excluded). For starting a business, for example, New Zealand and Georgia have the lowest number of procedures required (1). New Zealand also holds the shortest time to start a business

(0.5 days), while Slovenia has the lowest cost (0.0). Australia, Colombia and 115 other economies have no paid-in minimum capital requirement (table 2.2).

Calculation of the ease of doing business score

Calculating the ease of doing business score for each economy involves two main steps. In the first step individual component indicators are normalized to a common unit where each of the 41 component indicators *y* (except for the total tax and contribution rate) is rescaled using the linear transformation (worst − *y*)/(worst − best). In this formulation the highest score represents the best regulatory performance on the indicator across all economies since 2005 or the third year in which data for the indicator were collected. Both the best regulatory performance and the worst regulatory performance are established every five years based on the *Doing Business* data for the year in which they are established and remain at that level for the five years regardless of any changes in data in interim years. Thus an economy may establish the best regulatory performance for an indicator even though it may not have the highest score in a subsequent year. Conversely, an economy may score higher than the best regulatory performance if the economy reforms after the best regulatory performance is set. For example, the best regulatory performance for the time to get electricity is set at 18 days. In the Republic of Korea it now takes 13 days to get electricity while in the United Arab Emirates it takes just 10 days. Although the two economies have different times, both economies score 100 on the time to get electricity because they have exceeded the threshold of 18 days.

For scores such as those on the strength of legal rights index or the quality of land administration index, the best regulatory performance is set at the highest

TABLE 2.2 Which economies set the best regulatory performance?

Topic and indicator	Economy setting the best regulatory performance	Best regulatory performance	Worst regulatory performance
Starting a business			
Procedures (number)	New Zealand	1	18[a]
Time (days)	New Zealand	0.5	100[b]
Cost (% of income per capita)	Slovenia	0.0	200.0[b]
Minimum capital (% of income per capita)	Australia; Colombia[c]	0.0	400.0[b]
Dealing with construction permits			
Procedures (number)	No economy was a best performer as of May 1, 2018.	5	30[a]
Time (days)	No economy was a best performer as of May 1, 2018.	26	373[b]
Cost (% of warehouse value)	No economy was a best performer as of May 1, 2018.	0.0	20.0[b]
Building quality control index (0–15)	Luxembourg; New Zealand; United Arab Emirates	15	0[d]
Getting electricity			
Procedures (number)	Germany; Republic of Korea	3	9[a]
Time (days)	Republic of Korea; St. Kitts and Nevis; United Arab Emirates	18	248[b]
Cost (% of income per capita)	Japan	0.0	8,100.0[b]
Reliability of supply and transparency of tariffs index (0–8)	Belgium; Ireland; Malaysia	8	0[d]
Registering property			
Procedures (number)	Georgia; Norway; Portugal; Sweden	1	13[a]
Time (days)	Georgia; New Zealand; Portugal	1	210[b]
Cost (% of property value)	Saudi Arabia	0.0	15.0[b]
Quality of land administration index (0–30)	No economy has reached the best performance yet.	30	0[d]

Source: Doing Business database.

a. Worst performance is defined as the 99th percentile among all economies in the *Doing Business* sample.

b. Worst performance is defined as the 95th percentile among all economies in the *Doing Business* sample.

c. Another 115 economies also have a paid-in minimum capital requirement of 0.0.

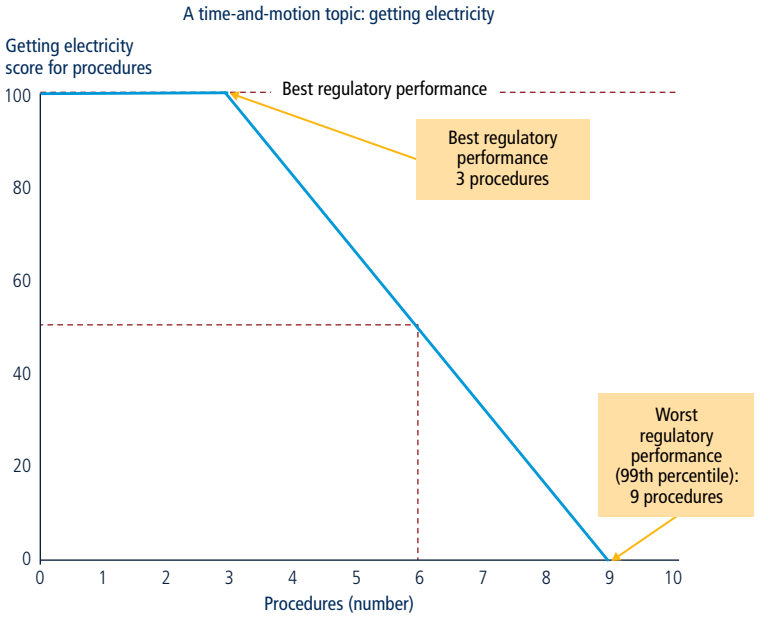
d. Worst performance is the worst value recorded.

possible value (although no economy has yet reached that value in the case of the latter). For the total tax and contribution rate, consistent with the use of a threshold in calculating the rankings on this indicator, the best regulatory performance is defined as the total tax and contribution rate at the 15th percentile of the overall distribution for all years included in the analysis up to and including *Doing Business 2015*. For the time to pay taxes, the best regulatory performance is defined as the lowest time recorded among all economies that levy the three major taxes: profit tax, labor taxes and mandatory contributions, and value added tax (VAT) or sales tax. For the different times to trade across borders, the best regulatory performance is defined as 1 hour even though in many economies the time is less than that. In the same formulation, to mitigate the effects of extreme outliers in the distributions of the rescaled data for most component indicators (very few economies need 700 days to complete the procedures to start a business, but many need 9 days), the worst performance is calculated after the removal of outliers. The definition of outliers is based on the distribution for each component indicator. To simplify the process two rules were defined: the 95th percentile is used for the indicators with the most dispersed distributions (including minimum capital, number of payments to pay taxes, and the time and cost indicators), and the 99th percentile is used for number of procedures. No outlier is removed for component indicators bound by definition or construction, including legal index scores (such as the depth of credit information index, extent of disclosure index and strength of insolvency framework index) and the recovery rate (figure 2.3).

In the second step for calculating the ease of doing business score, the scores obtained for individual indicators for each economy are aggregated through simple averaging into one score, first for each topic and then across all 10 topics: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. More complex aggregation methods—such as principal components and unobserved components—yield a ranking nearly identical to the simple average used by *Doing Business*.[4] Thus *Doing Business* uses the simplest method: weighting all topics equally and, within each topic, giving equal weight to each of the topic components.[5]

An economy's score is indicated on a scale from 0 to 100, where 0 represents the worst regulatory performance and 100 the best regulatory performance. All score calculations are based on a maximum of five decimals. However, topic ranking calculations and the ease of doing business ranking calculations are based on two decimals. The difference between an economy's score in any previous year and its score in *Doing Business 2019* illustrates the extent to which the economy has closed the gap between its score and the best regulatory performance over time. In any given year the score measures how far an economy is from the best regulatory performance at that time.

FIGURE 2.3 How are scores calculated for indicators?



Source: Doing Business database.

Ease of doing business ranking

The ease of doing business ranking ranges from 1 to 190. The ranking of economies is determined by sorting the aggregate ease of doing business scores, rounded to two decimals.

FACTORS NOT MEASURED BY *DOING BUSINESS* AND SUBNATIONAL *DOING BUSINESS* STUDIES

Many important policy areas are not covered by *Doing Business*; even within the areas it covers its scope is narrow (table 2.3). *Doing Business* does not measure the full range of factors, policies and institutions that affect the quality of an economy's business environment or its national competitiveness. It does not, for example, capture aspects of

TABLE 2.3 What *Doing Business* does not cover
Macroeconomic stability
Development of the financial system
Quality of the labor force
Incidence of bribery and corruption
Market size
Lack of security

macroeconomic stability, development of the financial system, market size, the incidence of bribery and corruption or the quality of the labor force.

The focus is deliberately narrow even within the relatively small set of indicators included in *Doing Business*. The time and cost required for the logistical process of exporting and importing goods is captured in the trading across borders indicators, for example, but they do not measure the cost of tariffs or of international transport. *Doing Business* provides a narrow perspective on the infrastructure challenges that firms face, particularly in the developing world, through these indicators. It does not address the extent to which inadequate roads, rail, ports and communications may add to firms' costs and undermine competitiveness (except to the extent that the trading across borders indicators indirectly measure the quality of ports and border connections). Similar to the indicators on trading across borders, all aspects of commercial legislation are not covered by those on starting a business or protecting minority investors. Given that *Doing Business* measures only a few features of each area that it covers, business regulatory reforms should not focus only on these narrow areas and should be evaluated within a broader perspective.

Doing Business does not attempt to quantify all costs and benefits of a particular law or regulation to society as a whole. The paying taxes indicators measure the total tax and contribution rate, which, in isolation, is a cost to businesses. However, the indicators do not measure—nor are they intended to measure—the benefits of the social and economic programs funded with tax revenues. Measuring the quality and efficiency of business regulation provides only one input into the debate on the regulatory burden associated with achieving regulatory objectives, which can differ across economies. *Doing Business* provides a starting point for this discussion and should be used in conjunction with additional data sources. Other World Bank Group databases that provide comprehensive data related to some areas of *Doing Business* include: Women, Business and the Law, which measures legal restrictions on women's economic opportunities in 189 economies; the Logistic Performance Index, which benchmarks the performance of trade logistics in 160 economies; the World Governance Indicators, which provides data on different dimensions of governance in 214 economies; and Country Policy and Institutional Assessments, which measure the quality of policies and institutions in International Development Association (IDA) economies.[6]

ADVANTAGES AND LIMITATIONS OF THE METHODOLOGY

The *Doing Business* methodology is designed to be an easily replicable way to benchmark specific characteristics of business regulation—how they are implemented by governments and experienced by private firms on the ground. Its advantages and limitations should be understood when using the data (table 2.4).

Ensuring comparability of the data across a global set of economies is a central consideration for the *Doing Business* indicators, which are developed around standardized case scenarios with specific assumptions. One such assumption is the location of a standardized business—the subject of the *Doing Business* case study—in the largest business city of the economy. The reality is that business regulations and their enforcement may differ within a country, particularly in federal states and large economies. But gathering data for every relevant jurisdiction in each of the 190 economies covered by *Doing Business* is not feasible. Beginning in 2014, *Doing Business* extended its global coverage to include the second largest business city in economies with a population of more than 100 million as of 2013. To complement the global assessment, subnational *Doing Business* studies generate data at the local level, beyond the largest business city—a potentially useful tool for policy makers.

Doing Business recognizes the limitations of the standardized case scenarios and assumptions. But while such assumptions come at the expense of generality, they also help to ensure the comparability of data. Some *Doing Business* topics are complex, and so it is important that the standardized cases are defined carefully. For example, the standardized case scenario usually involves a limited liability company or its legal equivalent. There are two reasons for this assumption. First, private, limited liability companies are the most prevalent business form (for firms with more than one owner) in many economies around the world. Second, this choice reflects the focus of *Doing Business* on expanding opportunities for entrepreneurship: investors are encouraged to venture into business when potential losses are limited to their capital participation.

Another assumption underlying the *Doing Business* indicators is that entrepreneurs have knowledge of and comply with applicable regulations. In practice, entrepreneurs may not be aware of what needs to be done or how to comply with regulations and may lose considerable time trying to find out. Alternatively, they may intentionally avoid compliance—by not registering for social security, for example. Firms may opt for bribery and other informal arrangements intended

TABLE 2.4 Advantages and limitations of the *Doing Business* methodology

Feature	Advantages	Limitations
Use of standardized case scenarios	Makes data comparable across economies and methodology transparent	Reduces scope of data; only regulatory reforms in areas measured can be systematically tracked
Focus on largest business city[a]	Makes data collection manageable (cost-effective) and data comparable	Reduces representativeness of data for an economy if there are significant differences across locations
Focus on domestic and formal sector	Keeps attention on formal sector—where regulations are relevant and firms are most productive	Unable to reflect reality for informal sector—important where that is large—or for foreign firms facing a different set of constraints
Reliance on expert respondents	Ensures that data reflect knowledge of those with most experience in conducting types of transactions measured	Indicators less able to capture variation in experience among entrepreneurs
Focus on the law	Makes indicators "actionable"—because the law is what policy makers can change	Where systematic compliance with the law is lacking, regulatory changes will not achieve full results desired

Source: *Doing Business* database.
a. In economies with a population of more than 100 million as of 2013, *Doing Business* covers business regulation in both the largest and the second largest business city. Subnational *Doing Business* studies go beyond the largest business city within a country or region.

to bypass the rules where regulation is particularly onerous—an aspect that helps explain differences between the de jure data provided by *Doing Business* and the de facto insights offered by the World Bank Enterprise Surveys.[7] Levels of informality tend to be higher in economies with particularly burdensome regulation. Compared with their formal sector counterparts, firms in the informal sector typically grow more slowly, have poorer access to credit and employ fewer workers—and these workers remain outside the protections of labor law and, more generally, other legal protections embedded in the law.[8] Firms in the informal sector are also less likely to pay taxes. *Doing Business* measures one set of factors that help explain the occurrence of informality and give policy makers insights into potential areas of regulatory reform.

DATA COLLECTION IN PRACTICE

The *Doing Business* data are based on a detailed reading of domestic laws, regulations and administrative requirements as well as their implementation in practice as experienced by private firms. The report covers 190 economies—including some of the smallest and poorest economies, for which little or no data are available from other sources. The data are collected through several rounds of communication with expert respondents (both private sector practitioners and government officials), through responses to questionnaires, conference calls, written correspondence and visits by the team. *Doing Business* relies on four main sources of information: the relevant laws and regulations, *Doing Business* respondents, the governments of the economies covered and the World Bank Group regional staff. For a detailed explanation of the *Doing Business* methodology, see the data notes at http://www.doingbusiness.org.

Subnational *Doing Business* follows similar data collection methods. However, subnational *Doing Business* studies are driven by client demand and do not follow the same timeline as global *Doing Business* publications. They incorporate a "right of reply" period, which consists of a series of consultative working meetings with local authorities in each of the locations measured to discuss the preliminary data and gather their feedback (figure 2.4).

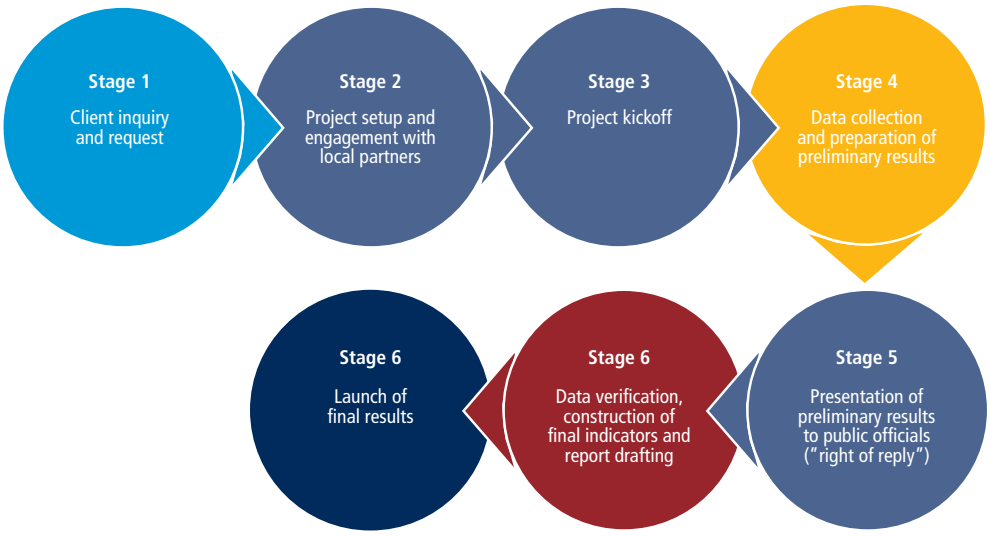
Relevant laws and regulations

Indicators presented in *Doing Business in Kazakhstan 2019* are based mostly on laws and regulations. Besides participating in interviews or filling out written questionnaires, expert respondents provided references to the relevant laws, regulations and fee schedules, which were collected and analyzed by the Subnational *Doing Business* team.

The *Doing Business* indicators are based mostly on laws and regulations: approximately two-thirds of the data embedded in the *Doing Business* indicators are based on a reading of the law. In addition to filling out questionnaires, *Doing Business* respondents submit references to the relevant laws, regulations and fee schedules. The *Doing Business* team collects the texts of the relevant laws and regulations and checks the questionnaire responses for accuracy. The team will examine the civil procedure code, for example, to check the maximum number of adjournments in a commercial court dispute, and read the insolvency code to identify if the debtor can initiate liquidation or reorganization proceedings. These and other types of laws are available on the *Doing Business* law library website.[9] Since the data collection process involves an annual update of an established database, having a very large sample of respondents is not strictly necessary. In principle, the role of the contributors is largely advisory—helping the *Doing Business* team to locate and understand the laws and regulations. There are quickly diminishing returns to an expanded pool of contributors. This notwithstanding, the number of contributors rose by 70% between 2010 and 2018.

Extensive consultations with multiple contributors are conducted by the team to minimize measurement errors for the rest of the data. For some indicators —for example, those on dealing with

FIGURE 2.4 Typical stages of a Subnational *Doing Business* project



construction permits, enforcing contracts and resolving insolvency—the time component and part of the cost component (where fee schedules are lacking) are based on actual practice rather than the law on the books. This introduces a degree of judgment by respondents on what actual practice looks like. When respondents disagree, the time indicators reported by *Doing Business* represent the median values of several responses given under the assumptions of the standardized case.

Expert respondents

For *Doing Business in Kazakhstan 2019* more than 400 professionals across all locations assisted in providing the data that inform the four areas covered. The Subnational *Doing Business* website and the acknowledgments section of this report list the names and credentials of those respondents who wished to be acknowledged. Selected on the basis of their expertise, respondents are professionals who routinely administer or advise on the legal and regulatory requirements in the specific areas covered by *Doing Business in Kazakhstan 2019*. Because of the focus on legal and regulatory arrangements, most of the respondents are legal professionals such as lawyers or conveyancers. Architects, engineers, electrical engineers and other professionals answered the questionnaires related to dealing with construction permits and getting electricity.

The *Doing Business* approach is to work with legal practitioners or other professionals who regularly undertake the transactions involved. Following the standard methodological approach for time-and-motion studies, *Doing Business in Kazakhstan 2019* breaks down each process or transaction, such as starting a business or registering a building, into separate steps to ensure a better estimate of time. The time estimate for each step was given by practitioners with significant and routine experience in the transaction.

There are two main reasons that *Doing Business* does not survey firms. The first relates to the frequency with which firms engage in the transactions captured by the indicators, which is generally low. For example, a firm goes through the start-up process once in its existence, while an incorporation lawyer may carry out 10 such transactions each month. The incorporation lawyers and other experts providing information to *Doing Business* are therefore better able to assess the process of starting a business than are individual firms. They also have access to current regulations and practices, while a firm may have faced a different set of rules when incorporating years before. The second reason is that the *Doing Business* questionnaires mostly gather legal information, which firms are unlikely to be fully familiar with. For example, few firms will know about all the main legal procedures involved in resolving a commercial dispute through the courts, even if they have gone through the process themselves. But a litigation lawyer should have little difficulty in providing the requested information on all the procedures.

Governments and World Bank Group staff

After analyzing laws and regulations and conducting follow-up interviews with respondents for *Doing Business in Kazakhstan 2019*, the Subnational *Doing Business* team shared the preliminary findings with the relevant government and public authorities in each location.

Through this process, government officials have the opportunity to provide their feedback on the preliminary data, give updates on their new and ongoing regulatory reform initiatives, and share their reform experiences and stories. Over time, these right of reply meetings have become an essential milestone of subnational *Doing Business* projects to enhance the quality of the studies and motivate local governments to have greater ownership of the reform process. The final data are analyzed and incorporated into a comprehensive written report, which is shared and peer-reviewed by World Bank Group specialists.

USES OF THE *DOING BUSINESS* DATA

Doing Business was designed with two main types of users in mind: policy makers and researchers. It is a tool that governments can use to design sound business regulatory policies. Nevertheless, the *Doing Business* data are limited in scope and should be complemented with other sources of information. *Doing Business* focuses on a few specific rules relevant to the specific case studies analyzed. These rules and case studies are chosen to be illustrative of the business regulatory environment, but they are not a comprehensive description of that environment. By providing a unique data set that enables analysis aimed at better understanding the role of business regulation in economic development, *Doing Business* is also an important source of information for researchers.

Governments and policy makers

Doing Business offers policy makers a benchmarking tool useful in stimulating policy debate, both by exposing potential challenges and by identifying good practices and lessons learned. Despite the narrow focus of the indicators, the initial debate in an economy on the results they highlight typically turns into a deeper discussion on areas where business regulatory reform is needed, including areas well beyond those measured by *Doing Business*.

Many *Doing Business* indicators can be considered "actionable." For example, governments can set the minimum capital requirement for new firms, invest in company and property registries to increase their efficiency, or improve the efficiency of tax administration by adopting the latest technology to facilitate the preparation, filing and payment of taxes by the business community. And they can undertake court reforms to shorten delays in the enforcement of contracts. But some *Doing Business* indicators capture procedures, time and costs that involve private sector participants, such as lawyers, notaries, architects, electricians or freight forwarders. Governments may have little influence in the short run over the fees these professions charge, though much can be achieved by strengthening professional licensing regimes and preventing anticompetitive behavior. And governments have no control over the geographic location of their economy, a factor that can adversely affect businesses.

While many *Doing Business* indicators are actionable, this does not necessarily mean that they are all "action-worthy" in a particular context. Business regulatory reforms are only one element of a strategy aimed at improving competitiveness and establishing a solid foundation for sustainable economic growth. There are many other important goals to pursue —such as effective management of public finances, adequate attention to education and training, adoption of the latest technologies to boost economic productivity and the quality of public services, and appropriate regard for air and water quality to safeguard public health. Governments must decide what set of priorities best suits their needs. To say that governments should work toward a sensible set of rules for private sector activity (as embodied, for example, in the *Doing Business* indicators) does not suggest that doing so should come at the expense of other worthy policy goals.

Over the past decade governments have increasingly turned to *Doing Business* as a repository of actionable, objective data providing unique insights into good practices worldwide as they have come to understand the importance of business regulation as a driving force of competitiveness. To ensure the coordination of efforts across agencies, economies such as Colombia, Malaysia and the Russian Federation have formed regulatory reform committees. These committees use the *Doing Business* indicators as one input to inform their programs for improving the business environment. More than 70 other economies have also formed such committees. In East Asia and the Pacific, they include Brunei Darussalam; Indonesia; the Republic of Korea; Myanmar; the Philippines; Sri Lanka; Taiwan, China; and Thailand. In the Middle East and North Africa: Algeria, the Arab Republic of Egypt, Israel, Kuwait, Morocco, Qatar, Saudi Arabia and the United Arab Emirates. In South Asia: Afghanistan, Bangladesh, India and Pakistan. In Europe and Central Asia: Albania, Azerbaijan, Croatia, Georgia, Kazakhstan, Kosovo, the Kyrgyz Republic, the Republic of North Macedonia, Moldova, Montenegro, Poland, Tajikistan, Turkey, Ukraine and Uzbekistan. In Sub-Saharan Africa: Benin, Burundi, the Comoros, the Democratic Republic of Congo, the Republic of Congo, Côte d'Ivoire, Guinea, Guinea-Bissau, Kenya, Liberia, Madagascar, Malawi, Mali, Mauritius, Niger, Nigeria, Rwanda, Senegal, Sierra Leone, Sudan, Tanzania, Togo, Zambia and Zimbabwe. And in Latin America and the Caribbean: Argentina, Brazil, Chile, Costa Rica, the Dominican Republic, Guatemala, Jamaica, Mexico, Nicaragua, Panama, Peru and St. Lucia. Governments have reported more than 3,500 regulatory reforms, 1,116 of which have been informed by *Doing Business* since 2003.[10]

Many economies share knowledge on the regulatory reform process related to

the areas measured by *Doing Business*. Among the most common venues for this knowledge sharing are peer-to-peer learning events—workshops where officials from different governments across a region or even across the globe meet to discuss the challenges of regulatory reform and to share their experiences.

Researchers

Doing Business data are widely used by researchers in academia, think tanks, international organizations and other institutions. Since 2003, thousands of researchers have utilized *Doing Business* data or its conceptual framework to analyze the impact of business regulation on various economic outcomes. This section provides a brief overview of studies published in the top 100 journals during the last 10 years or recently distributed as a working paper of a well-established institution.[11] The papers cited here are just a few examples of research done in the areas measured by *Doing Business*.[12] A comprehensive review of the literature is provided in the research chapters of *Doing Business 2014* and *Doing Business 2015*.

Regulation of firm entry is one of the most investigated areas of business regulation. The results of this body of research suggest that excessive regulation of entry increases the number of informal businesses and employment. A natural experimental study in Mexico found that reforms that simplified business registration increased registration by 5% and wage employment by 2.2%.[13] These reforms also resulted in 14.9% of informal business owners shifting to the formal economy.[14] In Portugal, reforms reducing the time and cost for company formalization increased the number of business start-ups by 17% and created seven new jobs per 100,000 inhabitants per month. These new start-ups were more likely to be female-owned, were smaller and headed by less experienced and less-educated entrepreneurs compared to others, suggesting that the reform created a more inclusive environment for aspiring entrepreneurs.[15]

Efficient and non-distortionary business regulations are crucial for productivity. A study on India, for example, shows that inefficient licensing and size restrictions cause a misallocation of resources, reducing total factor productivity (TFP) by preventing efficient firms from achieving their optimal scale and allowing inefficient firms to remain in the market.[16] The study concludes that removing these restrictions would boost TFP by 40-60%. In the European Union and Japan, implicit taxes on capital use were shown to reduce the average size of firms by 20%, output by 8.1% and output per firm by 25.6%.[17] A recent study on Côte d'Ivoire, Ethiopia, Ghana and Kenya demonstrates large productivity gains following the removal of firm-level distortions caused by uneven regulations and a poor business environment.[18] Research also shows that raising the efficiency level of bankruptcy laws in select OECD high-income economies to that of the United States would increase the TFP of the former by about 30% through a rise in bank loans to large firms.[19]

In many economies, companies engaged in international trade struggle with high trade costs arising from transport, logistics and regulations that impede their competitiveness and growth potential. With the *Doing Business* indicators on trading across borders, several empirical studies have assessed how trade costs affect the export and import performance of economies. A rich body of empirical research shows that efficient infrastructure and a healthy business environment are positively linked to export performance.[20] According to a study, a 1-day increase in transit time reduces exports by an average of 7% in Sub-Saharan Africa.[21] Another study found that a 1-day delay in transport time for landlocked economies and for time-sensitive agricultural and manufacturing products reduce trade by more than 1% for each day of delay.[22] Delays in customs clearance also negatively impact a firm's ability to export, particularly when goods are destined for new clients.[23] In economies with flexible entry regulations, a 1% increase in trade is associated with an increase of more than 0.5% in income per capita but has no positive income effects in economies with more rigid regulation.[24] Research has also shown that potential gains for consumers from import competition are reduced in economies with cumbersome regulation.[25]

Even though *Doing Business* measures aspects of business regulation affecting domestic firms, several studies indicate that better business regulation is associated with higher levels of FDI.[26] Also, the impact of FDI on domestic investment depends on how business-friendly entry regulations are in the host economy. A study shows that FDI can crowd out domestic investment in economies with costly processes for starting a business.[27] Another study points out that economies with simpler processes for starting a business have higher international market integration on average.[28]

A well-designed insolvency framework is a vital determinant of debt recovery. A reform making bankruptcy laws more efficient in Colombia, for example, improved the recovery rate of viable firms significantly.[29] In India the establishment of debt recovery tribunals reduced non-performing loans by 28% and lowered interest rates on larger loans, suggesting that faster processing of debt recovery cases cut the cost of credit.[30] A recent study using *Doing Business* data showed that insolvency resolution is one of the main drivers behind "missing" corporate bond markets in many economies.[31]

More borrowers gain access to credit in economies with a robust legal system that supports the use of movable assets as collateral and a well-developed credit information sharing system. In a multi-economy study, the introduction of collateral registries for movable assets was shown to increase firms' access to finance by approximately 8%.[32] Creditors' ability to use movable assets,

vis-à-vis real estate, is shown to increase the debt capacity of firms.[33] An in-depth review of global bank flows revealed that firms in economies with better credit information sharing systems and higher branch penetration evade taxes to a lesser degree.[34]

There is also a large body of work investigating the distortionary effects of high tax rates and cumbersome tax codes and procedures. After a tax reform in Brazil, business licensing among retail firms rose by 13%.[35] Research shows that a 10% reduction in tax complexity is comparable to a 1% reduction in effective corporate tax rates[36] and higher tax rates discourage entry.[37] A recent study finds that a lower tax compliance burden has a positive impact on the productivity of small and young firms.[38]

Labor market regulation—as measured by *Doing Business*—has been shown to have important implications for economies. According to one study, graduating from school during a time of adverse economic conditions has a persistent, harmful effect on workers' subsequent employment opportunities. The persistence of this negative effect is stronger in economies with stricter employment protection legislation.[39] Rigid employment protection legislation can also have negative distributional consequences. A study analyzing the labor market regulation literature points out that the impact of labor market regulation on productivity could be in either direction, and the magnitude of the impact is modest. The study provides clear evidence that labor market regulation equalizes the income of the covered workers, but youth, women and less- skilled workers generally are left outside this coverage and the benefits.[40]

Indexes

Doing Business identified 20 different data projects or indexes that use *Doing Business* as one of its sources of data.[41] Most of these projects or institutions use indicator level data and not the aggregate ease of doing business ranking. The indicator set most widely used is starting a business, followed by labor market regulation and paying taxes. These indexes typically combine *Doing Business* data with data from other sources to assess an economy along a particular aggregate dimension such as competitiveness or innovation. The Heritage Foundation's Index of Economic Freedom, for example, has used 22 *Doing Business* indicators to measure the degree of economic freedom in the world in four areas, including rule of law, government size, regulatory efficiency and market openness.[42] Economies that score better in these four areas also tend to have a high degree of economic freedom.

Similarly, the World Economic Forum uses *Doing Business* data in its Global Competitiveness Index to demonstrate how competitiveness is a global driver of economic growth. The organization also uses 13 *Doing Business* indicators in five indexes that measure institutions, product market efficiency, labor market efficiency, financial market development and business dynamism. These publicly accessible sources expand the general business environment data generated by *Doing Business* by incorporating it into the study of other important social and economic issues across economies and regions. They prove that, taken individually, *Doing Business* indicators remain a useful starting point for a rich body of analysis across different areas and dimensions in the research world.

NOTES

1. Djankov, Simeon. 2016. "The Doing Business Project: How It Started: Correspondence." *Journal of Economic Perspectives* 30 (1): 247–48
2. These papers are available on the *Doing Business* website at http://www.doingbusiness.org/methodology.
3. For more on the World Bank Enterprise Surveys, see the website at http://www.enterprisesurveys.org.
4. See Djankov and others 2005. Principal components and unobserved components methods yield a ranking nearly identical to that from the simple average method because both these methods assign roughly equal weights to the topics, since the pairwise correlations among topics do not differ much. An alternative to the simple average method is to give different weights to the topics, depending on which are considered of more or less importance in the context of a specific economy.
5. For getting credit, indicators are weighted proportionally, according to their contribution to the total score, with a weight of 60% assigned to the strength of legal rights index and 40% to the depth of credit information index. Indicators for all other topics are assigned equal weights.
6. For more information on these databases, see their websites: Women, Business and the Law (https://wbl.worldbank.org/); Logistic Performance Index (https://lpi.worldbank.org/); World Governance Indicators (http://info.worldbank.org/governance/wgi/#home); Country Policy and Institutional Assessments (https://datacatalog.worldbank.org/dataset/country-policy-and-institutional-assessment).
7. Hallward-Driemeier, Mary and Lant Pritchett. 2015. "How Business Is Done in the Developing World: Deals versus Rules." *Journal of Economic Perspectives* 29, no. 3: 121–40
8. Schneider, Friedrich. 2005. "The Informal Sector in 145 Countries." Department of Economics, University Linz, Linz, Austria; La Porta, Rafael, and Andrei Shleifer. 2008. "The Unofficial Economy and Economic Development." Tuck School of Business Working Paper 2009-57, Dartmouth College, Hanover, NH, available at Social Science Research Network (SSRN) at http://ssrn.com/abstract=1304760
9. For the law library, see the website at http://www.doingbusiness.org/law-library.
10. These are reforms for which *Doing Business* is aware that information provided by *Doing Business* was used in shaping the reform agenda.
11. The journal and institution rankings are from Research Papers in Economics (RePEc) and cover the last 10 years. They can be accessed at https://ideas.repec.org/top/top.journals.simple10.html and https://ideas.repec.org/top/top.inst.allbest10.html.
12. Since 2003, when the *Doing Business* report was first published, more than 3,400 research articles discussing how regulation in the areas measured by *Doing Business* influence economic outcomes have been published in peer-reviewed academic journals and 1,360 of these are published in the top 100 journals. Another 9,450 are published as working papers, books, reports, dissertations or research notes.
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42. For more on the Heritage Foundation's Index of Economic Freedom, see the website at http://heritage.org/index.

Starting a Business

MAIN FINDINGS

- Across the 16 locations measured, starting a business takes from four to six procedures, costs between 0.2% and 2.2% of income per capita and takes between 4.5 and 6 days.
- Of the eight locations benchmarked in 2016, Aktobe has made the most progress toward global good practices in starting a business.
- Zhambyl (Taraz) and the Almaty region (Taldykorgan) lag behind the rest of the locations because of a slower transition to electronic registration services.
- In 2018 Kazakhstan integrated registration for a bank account and for mandatory accident insurance into its online platform for business registration. However, uptake has been low due to a lack of full automation.

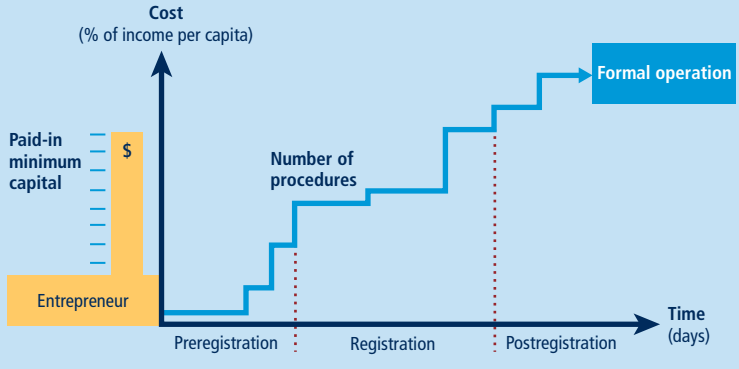
Cumbersome business regulations—along with other factors, such as high taxes—drive entrepreneurs to the informal sector. In 2007 it took around a month to comply with all regulatory requirements to start an enterprise in Kazakhstan. Back then, the size of the informal sector equaled over a third of the total gross domestic product.[1] Up to a quarter of small and medium-size enterprises (SMEs) operated informally while overall, the shadow economy employed 38.2% of the population.[2] Informality has significant economic and social costs. Workers in the informal sector earn less, lack labor protection and have limited access to on-the-job training. Informal firms also grow more slowly, employ fewer people and present unfair competition to formal businesses.[3]

But much has changed since 2007. Over the past decade Kazakhstan has been committed to improving its business climate to promote formal entrepreneurship and diversify its economy.[4] Today it takes only 5.3 days on average to complete business registration—three weeks less than in 2007. This has had a positive impact on Kazakhstan's economy. In 2017 workers in the informal sector accounted for less than 20% of total employment, half the share of a decade ago.[5] And formalized enterprises filled the gap. Between 2007 and 2017 the number of active SMEs more than quadrupled,[6] creating over 1 million new jobs.[7] Yet entrepreneurs still see competition from the informal sector as one of the biggest obstacles to doing business in Kazakhstan.[8] And despite progress, in 2018 the informal economy in Kazakhstan continued to be bigger than in most middle-income economies.[9] That is why streamlining the business start-up process further remains crucial to increasing formalization, attracting new entrepreneurs and improving the ease of doing business in Kazakhstan.

What Does Starting a Business Measure?

Doing Business measures the number of procedures as well as the time, cost and paid-in minimum capital required for a small to medium-size limited liability company to start up and formally operate (see figure). To make the data comparable across locations, *Doing Business* uses a standardized limited liability company that is 100% domestically owned, has start-up capital equivalent to 10 times income per capita, engages in general industrial or commercial activities and employs between 10 and 50 people within the first month of operations.

What are the time, cost, paid-in minimum capital and number of procedures to get a local limited liability company up and running?



HOW DOES STARTING A BUSINESS WORK IN KAZAKHSTAN?

Across the 16 locations measured, starting a business requires 4.4 procedures, costs 0.5% of income per capita and takes 5.3 days on average. The Department of Justice has the official mandate to incorporate new businesses, including the limited liability companies studied by *Doing Business*.[10]

The first step—incorporating the company—is done through one of three options. The first option is for the entrepreneur to directly register his or her business online through the e-government portal (egov). The second option is to register a business on the same portal but at a Public Service Center (PSC) of the state corporation Government for Citizens, with the assistance of public servants. The third option is to delegate the business registration task to an attorney, who registers the company on behalf of the entrepreneur on the same e-government portal or in person.

The most efficient way to incorporate a company is through direct registration on the egov portal. Applicants must have an electronic digital signature to incorporate a business. Through the portal, SMEs choose a legal form of entity, select a name and provide a notification of commencement of entrepreneurial activity. But it is more common for entrepreneurs to use a third party to assist in the process. Either they go to the local PSC, where a trained civil servant helps them complete the company registration on egov, or they hire an attorney to prepare incorporation documents and complete the registration process on their behalf online; but this latter option is less common overall. Involving a third party increases the time and cost of starting a business.

During incorporation the entrepreneur also has the option to register for the value added tax (VAT) with the State

Revenue Committee. VAT registration is mandatory for companies reaching an annual turnover of KZT 72,150,000 ($222,562)—the type of company covered by the *Doing Business* methodology. If the entrepreneur does not wish to register voluntarily for VAT at the time of incorporation, it is possible to proceed online through the State Revenue Committee's website (Salyk), or in person at the State Revenue Committee. If VAT registration is not done online during company incorporation, it must be completed within the first 10 days of the month after a turnover of 30,000 MCI[11] is reached, by submitting a VAT registration form either in person or through the Salyk website.[12]

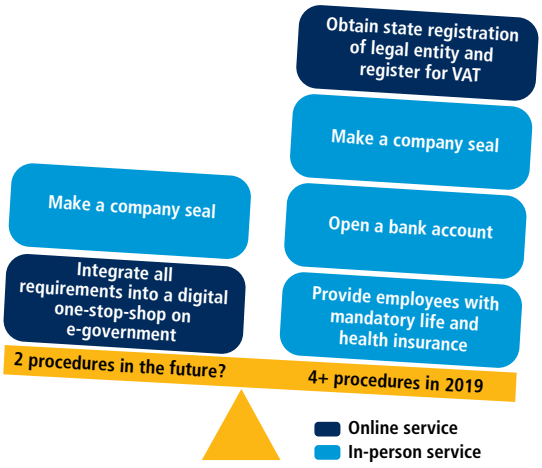
Three additional steps are required in practice to start operating a business: obtaining a company seal, opening a bank account and subscribing to mandatory accident insurance for employees (figure 3.1).

Entrepreneurs continue to obtain a company seal even though the legal requirement to have a seal to open a bank account was eliminated in 2015 and the Entrepreneurial Code has prohibited financial organizations from demanding a seal since 2018. Not all commercial banks updated their signature cards to indicate that seal samples had become optional, and entrepreneurs continue to obtain seals prior to opening an account.[13]

By law, it has been possible to open a bank account through egov since January 2018.[14] But in practice, the majority of entrepreneurs continue to open the account in person (box 3.1). Between January 1 and November 22, 2018, only 442 applicants requested to open a bank account through egov, representing only 1.2% of new businesses. And even then, in-person signature samples were required to complete the process, defeating the purpose of opening the account online.

The last step is to obtain mandatory insurance for employees against

FIGURE 3.1 Full automation would greatly reduce the complexity of starting a business



Source: Doing Business database.

BOX 3.1 The use of the e-government portal to open a bank account remains limited

In early 2019 Kazakhstan had 208,742 active SMEs.[a] Requests to open a bank account through egov were submitted in only 1.2% of all cases (442 requests), and only 37 requests were approved.[b]

Several limitations of the platform were identified by users and banks alike. First, only four banks are accredited to offer bank accounts via egov, and in October 2018 one bank was suspended due to a temporary license removal. Eight commercial banks are preparing to develop and test their connectivity with egov. Two of them were expected to conclude the testing period before February 2019. Two additional banks expressed interest in being included in the portal in the future. Growing interest from commercial banks in the service is good news: usage is expected to increase as the platform becomes more competitive.

In addition to the current limited number of service providers, feedback from applicants referred to the length of the online application form for opening a bank account. Applicants also noted the inability to review the form before submission. Preventing users from spotting and correcting potential errors or missed items limits the effectiveness of the portal, as incomplete or erroneous applications are automatically rejected.

There is room for improvement in offering the service through egov. The application form could be simplified, for example. Also, users could be provided with the terms and conditions applicable to each bank, saving applicants time when comparing offers from the various banks.

a. Official statistics from the Ministry of National Economy of the Republic of Kazakhstan, Committee on Statistics, accessed on January 15, 2019, at http://www.stat.gov.kz.
b. Official statistics on SMEs from the Ministry of Justice of the Republic of Kazakhstan for January 1, 2018, through November 22, 2018, provided by the State Revenue Committee.

accidents during performance of their duties. This must be obtained within the first 10 days of the month following the date of state registration.[15] Three insurance companies launched this service online through egov between January 1 and May 28, 2018, but due to technical issues and lack of full automation, only 37 entrepreneurs were able to request insurance online in 2018. It was not possible to complete the process and obtain insurance online because the company bank account requested through egov had not yet been activated and therefore did not have the deposits required to cover insurance premiums. As a result, entrepreneurs continued to complete this postregistration requirement in person, at the preferred insurance company.

HOW THE PROCESS COMPARES

Kazakhstan, represented by the city of Almaty, ranked number 36 globally in starting a business, as measured in *Doing Business 2019*—ahead of OECD high-income economies including Switzerland (77) and Luxembourg (73). But Kazakhstan was below regional neighbors such as the Kyrgyz Republic (35), the Russian Federation (32) and Uzbekistan (12) and also below the best regional performers in Europe and Central Asia (ECA)—Georgia (2) and Armenia (8).

The easiest place to start a business in Kazakhstan is still the city of Nur-Sultan, where the process requires four procedures, takes 4.5 days and costs 0.2% of income per capita (table 3.1). Entrepreneurs in Nur-Sultan take advantage of online services; business incorporation and VAT registration are completed in one step on egov.

Starting a business in Kazakhstan takes between four and six procedures. Variations in the number of procedures are driven by the decision to use a lawyer to incorporate the company and by the type of VAT registration selected. In East Kazakhstan (Oskemen), already measured in 2016, as well as in North Kazakhstan (Petropavl), Akmola (Kokshetau), Zhambyl (Taraz) and the Almaty region (Taldykorgan), which are measured for the first time, entrepreneurs commonly seek the assistance of a lawyer to start a business, which adds a procedure (figure 3.2). The level of internet penetration partly explains the discrepancy between locations. Internet usage in Akmola, where attorneys are commonly hired to register a company, is among the lowest in Kazakhstan; it is highest in Nur-Sultan, where entrepreneurs commonly register a company online.[16]

In Zhambyl (Taraz) and the Almaty region (Taldykorgan) the process takes six steps—two more than in most other locations—because VAT registration is not done directly on the e-government website at the time of company incorporation. In those regions VAT registration is done through the local State Revenue Committee, either in person or online via the Salyk website. Each municipality is responsible for implementing its own public outreach and awareness campaign to inform the public about new services, amendments and simplifications that make starting a business easier. For example, the city of Almaty created multiple channels to reach entrepreneurs on a weekly basis, including on local TV, radio and social media. In Zhambyl (Taraz) and the Almaty region (Taldykorgan), by contrast, the campaign is less active and as a result, public awareness and use of online services has been lower. These

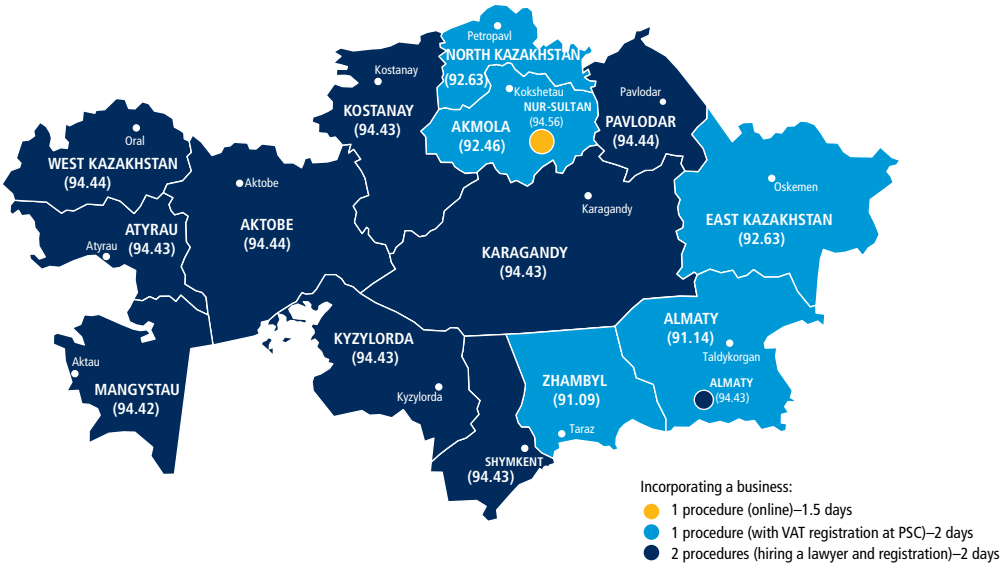
TABLE 3.1 Starting a business in Kazakhstan—where is it easier?

Location	Rank	Ease of doing business score (0–100)	Procedures (number)	Time (days)	Cost (% of income per capita)
Nur-Sultan	1	94.56	4	4.5	0.21
Aktobe	2	94.44	4	5	0.18
West Kazakhstan *(Oral)*	2	94.44	4	5	0.18
Pavlodar	2	94.44	4	5	0.18
Kostanay	5	94.43	4	5	0.18
Shymkent	6	94.43	4	5	0.20
Karagandy	7	94.43	4	5	0.21
Kyzylorda	8	94.43	4	5	0.23
Almaty city	9	94.43	4	5	0.24
Atyrau	9	94.43	4	5	0.24
Mangystau *(Aktau)*	11	94.42	4	5	0.28
North Kazakhstan *(Petropavl)*	12	92.63	5	6	0.82
East Kazakhstan *(Oskemen)*	13	92.63	5	6	0.88
Akmola *(Kokshetau)*	14	92.46	5	6	2.19
Almaty region *(Taldykorgan)*	15	91.14	6	6	1.00
Zhambyl *(Taraz)*	16	91.09	6	6	1.37

Source: Doing Business database.

Note: Rankings are based on the average ease of doing business score for the procedures, time, cost and paid-in minimum capital associated with starting a business. The score is normalized to range from 0 to 100, with 100 representing the best regulatory performance (the higher the score, the better). For more details, see the chapter "About *Doing Business* and *Doing Business in Kazakhstan 2019*." The complete data set can be found on the *Doing Business* website at http://www.doingbusiness.org.

FIGURE 3.2 Incorporating a business takes an additional step in a third of the locations



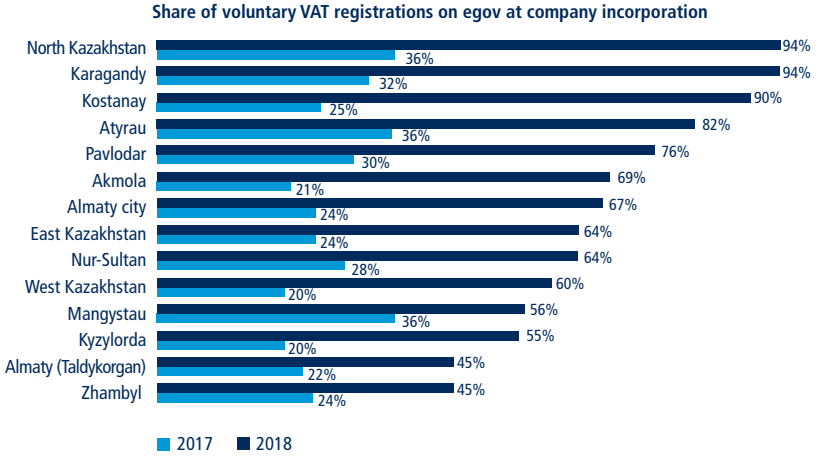
Source: Doing Business database.

two regions record the lowest share of voluntary VAT registrations through egov (figure 3.3).

The time to start a business ranges between 4.5 and 6 days. It takes longest in five locations where entrepreneurs commonly use attorneys for the business registration process (figure 3.4).[17] Incorporating a business through a lawyer takes time; incorporation documents must first be prepared and reviewed before the company is registered on the entrepreneur's behalf.

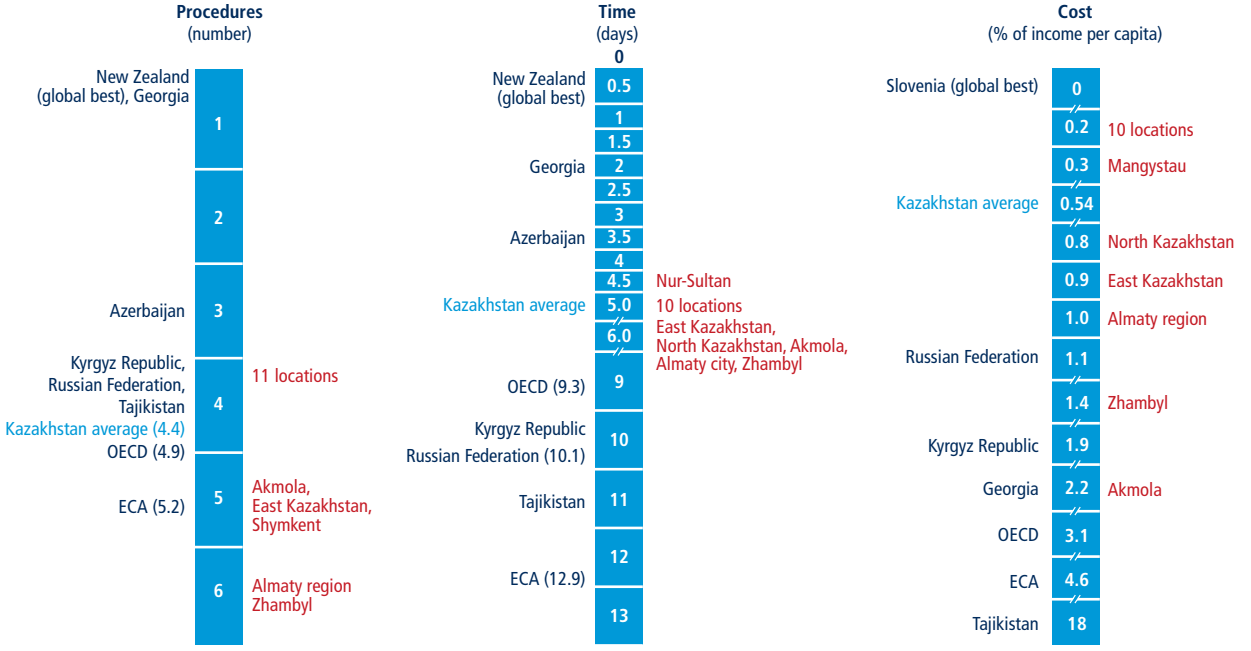
The costs of starting a business are lower in Kazakhstan than in both OECD high-income economies and ECA economies, on average. Cost differences across regions are driven mainly by the use of attorney services and the use of company seals. While starting a business costs just 0.2% of income per capita in nine locations, in Akmola (Kokshetau)—the most expensive place to start a business—the costs equal 2.2% of income per capita. There, soliciting the services of an attorney for incorporating a new business can cost KZT 50,000 ($154). In locations where entrepreneurs commonly retain attorneys for company incorporation, the cost ranges from KZT 15,000 ($46) in North Kazakhstan (Petropavl) to twice that in Zhambyl (Taraz). In Zhambyl, where entrepreneurs seem less aware of the available electronic options, the higher cost for an attorney is driven by an increase in demand. The opposite appears to be true in North Kazakhstan (Petropavl), where lower costs go hand

FIGURE 3.3 Voluntary VAT registration at the time of incorporation is the most common way to register for VAT in all but two locations



Source: Doing Business database.
Note: Data obtained from the State Revenue Committee. No data were available for the city of Shymkent or for the Aktobe region.

FIGURE 3.4 Locations in Kazakhstan outperform comparator economies on cost but show room for improvement on the other components



Source: Doing Business database.

Note: The averages for Europe and Central Asia (ECA) are based on economy-level data for the 23 ECA economies. The OECD averages are based on economy-level data for the 33 OECD high-income economies.

in hand with a net decrease in company registrations in the last three years.[18] In East Kazakhstan (Oskemen), already benchmarked in 2016, entrepreneurs still prefer to hire lawyers, but with increased use of the streamlined electronic business registration process the costs of retaining a lawyer also decreased.[19]

Costs for obtaining company seals differ across the country. The process is most expensive in Mangystau (Aktau), at KZT 7,200 ($22), and Atyrau, at KZT 6,250 ($19), where obtaining a seal is fastest. In Aktobe, West Kazakhstan (Oral) and Pavlodar, where starting a business is least expensive, prices for company seals are lowest, at KZT 4,500 ($14). Entrepreneurs in those locations incorporate their businesses at a total cost of 0.2% of income per capita, significantly less than in the rest of the ECA economies (4.6% of income per capita on average).

WHAT HAS CHANGED?

Doing Business in Kazakhstan 2017 found that it was becoming more common to use the electronic portal (egov) for incorporating new businesses and rarer to hire a lawyer for this purpose. At the same time, the study found room for improvement in all postregistration requirements that were still completed in person (registering for VAT, making a company seal, opening a bank account and subscribing to a mandatory accident insurance policy for employees).

Doing Business in Kazakhstan 2019 finds that local and national reforms since 2016 have tackled some of these gaps in all locations, particularly by integrating postregistration requirements in egov, streamlining VAT registration and further eliminating involvement of third parties in the registration process. Overall, the time to start a business decreased from 9.3 days in 2016 to 5.3 days in 2018 in the eight locations previously benchmarked by *Doing Business in Kazakhstan 2017*. Reforms improved the average ease of doing business score by 2.43 points, from 91.25 to 93.68. This is equivalent to going from position 52 to position 27 in the global *Doing Business 2019* ranking. Aktobe, the location that has improved the most since 2016, became the second easiest location in Kazakhstan to start a business.

At the local level, a major improvement in two locations resulted from eliminating the involvement of attorneys in the start-up process—a step that reduced the number of procedures by one, the time required to start a business by a day and the cost by more than 90% (to 0.2% of income per capita). Entrepreneurs in Aktobe and Kostanay no longer seek the assistance of lawyers to register their

company, and instead visit the local PSC to register a business online with the help of a trained employee. The declining trend in the use of lawyers is not new. Research in 2016 revealed that an attorney from the city of Nur-Sultan was registering just one company per week, a sharp decline from the year before, when it was a company every day.[20] Due to the simple business start-up process online, entrepreneurs became able to take on company registration independently or with some assistance from local PSCs, as was seen in Aktobe and Kostanay throughout 2018. Out of the eight locations measured in the previous study, entrepreneurs in just one location—East Kazakhstan (Oskemen)—continue to handle the registration process with the help of a lawyer (table 3.2).

Significant amendments to the Tax Code resulted in improvements that reduced the time to start a business in all eight locations measured in *Doing Business in Kazakhstan 2017*. As of January 2018, for example, a company's chief executive officer is no longer required to go to the State Revenue Committee to take a photograph upon company incorporation.[21] VAT registration, deregistration and reregistration procedures were also streamlined through stricter time limits to process applications. This decreased the time required to register for VAT from seven days to one, which translated into a four-day reduction in the overall time required to start a business across the country.[22] In some locations, such as Almaty city, staff at the State Revenue Committee had to be transferred due to internal efficiency gains and a decrease in employees' workloads.

The reduction in the number of steps required to start a business since 2016 was driven by an upward trend in the use of online services and the inclusion of postregistration procedures such as VAT registration on the egov portal.[23] Entrepreneurs can now register for VAT at the time they incorporate their company. This change created a convenient new option. In 2017 it was still most common to undertake VAT registration in person, at the office of the State Revenue Committee. But since May 2017 entrepreneurs have been able to complete VAT registration online, both through egov and through the State Revenue Committee's website.[24] The notification-based service on egov, which is fully integrated with the business start-up process, became the fastest and most popular way for voluntary VAT registration for SMEs in 2018.

At the time of company incorporation, entrepreneurs simply need to make the selection on the online company registration form and the company is immediately assigned a tax identification number (TIN).[25] The tax register is automatically updated, and a taxpayer certificate is delivered electronically within 24 hours. Integrating the VAT registration requirement into egov reduced by one the number of procedures to start a business. This streamlining of procedures placed 11 Kazakhstani locations on par with the performance of the Kyrgyz Republic, the Russian Federation and Tajikistan as well as with Norway and the Netherlands. In Zhambyl (Taraz) and the Almaty region (Taldykorgan), online options to register for VAT were introduced, but available statistics show that their uptake has been slower. Entrepreneurs in these locations continue to fulfill this requirement in person at the State Revenue Committee after receiving help with company registration from lawyers.

Theoretically, entrepreneurs can open a bank account and obtain mandatory accident insurance for employees online through the egov portal. But in practice neither option is used.

Since January 1, 2018, companies can request to open a bank account during incorporation. The entrepreneur fills out an application form and has the option to submit additional documents (including the company charter, an excerpt from the securities exchange register and

TABLE 3.2 Eight locations made it easier to start a business since 2016

Location	Made starting a business easier overall	Reduced time required for VAT registration	Introduced voluntary VAT registration online on the e-government website	Eliminated retaining a lawyer in practice
Aktobe	✔	✔	✔	✔
Almaty city	✔	✔	✔	
Nur-Sultan	✔	✔	✔	
Karagandy	✔	✔	✔	
Kostanay	✔	✔	✔	✔
East Kazakhstan *(Oskemen)*	✔	✔	✔	
Pavlodar	✔	✔	✔	
Shymkent	✔	✔	✔	

Source: Doing Business database.

Note: This table presents only regulatory reforms making it easier to do business, implemented between December 2016 and December 2018 for the locations benchmarked in *Doing Business in Kazakhstan 2017*.

✔ = *Doing Business* reform making it easier to do business

power of attorney). Once these forms are submitted, the selected bank receives the request and an employee must approve it manually. This new service, which aims to make it easier to open a bank account, does not show significant uptake; only 8.4% of online applications were successful in 2018 (see box 3.1). The benefits of the online application are offset by the inability to complete the process online because applicants must go to the bank in person to fill out a signature card after submitting the online request. In May 2018 amendments to the Entrepreneurial Code prohibited all state bodies and financial organizations from demanding seal imprints on documents from businesses, with the aim of discontinuing the use of seals, particularly for opening a bank account.[26] However, entrepreneurs used seals throughout 2018 and continue to consider them necessary to start business operations.

The online option to subscribe to a mandatory accident insurance policy for employees is not used in practice.[27] In 2018 three insurance companies were included in egov, but they recorded only 37 requests for mandatory accident insurance for employees. All requests were rejected and not a single contract signed during the year.[28] The exact reason for the low popularity of the service is not known; applicants and insurance companies reported technical issues to the administrators of egov. An additional bottleneck was created by the requirement to have an operational bank account opened online. Without a functioning bank account with sufficient funds, the entrepreneur could not pay the insurance premium, which prevented successful completion of this postregistration requirement.

WHAT CAN BE IMPROVED

Make the e-government portal more functional

Banks and insurance companies see little return on their investment to connect to egov. While bank accounts have been opened for 37 applications, no insurance contracts were concluded through egov in 2018.

In the short term, a review function could be added to make egov more user-friendly and functional. This would limit the number of automatically rejected requests by allowing applicants to review the information they filled out and correct errors before submitting the forms. To increase competitiveness and usage of the service, customers should also have an opportunity to compare the terms and conditions of different banks and insurance companies on egov.

In the long term, more commercial banks and insurance companies could be included in the portal. Eight banks are expected to join egov in the future. The addition of more options will no doubt attract more customers.

Like Kazakhstan, other economies are implementing reforms to improve conditions for entrepreneurs. In 2015 Norway, ranked 22 in the ease of starting a business, improved the process by introducing electronic bank account registration. This service is free, and the account is operationalized once the company passes registration. Unlike in Kazakhstan, where CEOs go to the bank to provide seal samples and signature samples after requesting a bank account online through egov, the process in Norway is fully electronic. The account is registered through the bank's website and entrepreneurs do not visit the bank in person to complete registration or to operationalize the account. As a result, streamlining the process of opening a bank account decreased the time required to complete this procedure in Norway to the lowest time recorded by *Doing Business*.

Complete the phase-out of company seals in practice

Despite legislative efforts to abolish the use of company seals, newly created companies continue to get one for the purpose of opening a bank account. Banks still require a signature card to verify the identity of business owners, and that includes an imprint of the company seal.

The government of Kazakhstan should not only enforce the Entrepreneurial Code, which now prohibits financial organizations from requiring a seal, but should also encourage banks to stop requesting seals. Company seals are not required to start a business in 123 of the 190 economies covered globally by *Doing Business*.

In Hong Kong SAR, China, company seals were abolished in the spring of 2014 and the Companies Registry launched a promotion and publicity campaign to inform entrepreneurs about the reform. A year later, results of an online survey reported that 82% of new SMEs that were incorporated online did not obtain a seal.[29] As a result of successful reform implementation in practice, Hong Kong improved its performance in the global ranking on the ease of starting a business, climbing from number 8 to number 5.

Improve service delivery at PSCs

Throughout 2018 Kazakhstan added new postregistration services to egov. These new services could streamline the process of starting a business, but they have yet to catch on. Entrepreneurs are either not aware of the new services or do not know how to use them. Ideally, employees at the Public Service Centers should explain to entrepreneurs how to benefit from the new services. But PSCs offer more than 750 services, and changes are introduced frequently, which makes it hard for the civil servants to stay up to date. Although they are briefed on changes, training is limited due to the scope of services offered.

Most PSC employees do not realize that applicants must go to the bank in person to fill out a signature card before they can activate their account. And PSC employees outside major cities seem unaware that it is not possible to request mandatory accident insurance

for employees without applying for a bank account simultaneously.[30] Since these civil servants—the primary point of contact for entrepreneurs—do not have immediate experience or training in using the egov options for these procedures, entrepreneurs continue to go to the bank or the insurance company in person. In the short term, the PSC in Akmola (Kokshetau) filled this gap by arranging weekly walk-in VAT consultations with the employees of the State Revenue Committee. But in the medium term, in the locations where entrepreneurs rely on PSCs to register a business, the use of e-government services will increase only if PSC employees receive the training they need to provide comprehensive assistance during the company registration process.

Develop performance indicators to monitor implementation of reforms

Kazakhstan has made significant progress improving its national statistical system, mainly through the government's e-statistics initiative KAZSTAT. But shortcomings remain. For example, the Committee on Statistics of the Ministry of National Economy produces limited data on SMEs. Collecting and disseminating additional information is critical for evidence-based decision making. It would enable public officials to monitor and evaluate the success of SME policies, while increasing accountability.

Currently public officials across Kazakhstan do not have access to substantive data and therefore cannot evaluate the success of the reforms and policies they promote to SMEs. Particularly on the local level, no tools are available to identify the causes for the low uptake of some services. For example, many local officials assume that entrepreneurs in Kazakhstan take full advantage of the streamlined business registration process; in fact, they do not. Entrepreneurs do not complete company incorporation, VAT registration, bank account registration and mandatory insurance simultaneously online through egov. Without data, it is unclear why new services are not used, whether it is because entrepreneurs do not want to use them or find them too complicated, or due to technical issues on egov.

Increasing the range of information collected and designing a feedback mechanism for entrepreneurs and PSC staff (the point people most commonly involved in company incorporation) will make it possible to monitor the speed of transition to e-services. Disaggregating data will inform regional comparisons and enable policy makers to design targeted solutions for local SMEs. On a national level, performance monitoring will enable a broader assessment of policy reforms and help identify any bottlenecks and technical or design issues.

NOTES

1. Schneider, Friedrich, Andreas Buehn and Claudio E. Montenegro. 2010. "New Estimates for the Shadow Economies all over the World." *International Economic Journal* 24 (4): 443-461.
2. Rutkowski, J. 2011. *Costs of Doing Business: Causes of Informal Employment in Kazakhstan*. Washington, DC: World Bank.
3. Loayza, Norman V. 2018. *Informality: Why Is It So Widespread and How Can It Be Reduced?* Washington, DC: World Bank.
4. Kazakhstan introduced the 2050 Strategy in 2012, calling for widespread reforms to increase economic diversification and create a favorable environment for entrepreneurship while becoming a top-30 economy by 2050.
5. OECD. 2018. *Reforming Kazakhstan: Progress, Challenges and Opportunities*. Paris: OECD Publishing.
6. In 2007 there were 55,865 small and 2,476 medium-size active enterprises in Kazakhstan. By 2017 the number of active SMEs had grown to 208,742 and 2,618, respectively. Source: Ministry of National Economy of the Republic of Kazakhstan, Committee on Statistics. Available at www.stat.gov.kz.
7. Ministry of National Economy of the Republic of Kazakhstan, Committee on Statistics.
8. European Bank for Reconstruction and Development (EBRD). 2017. *Kazakhstan diagnostic paper: Assessing progress and challenges in developing sustainable market economy*. London: EBRD; OECD. 2018. *SME and Entrepreneurship Policy in Kazakhstan: OECD Studies on SMEs and Entrepreneurship*, pp. 40 and 110. Paris: OECD Publishing.
9. Medina, Leandro, and Friedrich Schneider. 2018. "Shadow Economies Around the World: What Did We Learn Over the Last 20 Years?" IMF Working Papers. Washington, DC: IMF.
10. Incorporation of a limited liability company (LLC) in Kazakhstan is regulated by several laws, including the Law of the Republic of Kazakhstan on State Registration of Legal Entities, Branches and Representations, as well as the Tax Code, effective April 17, 1995, No. 2198.
11. The monthly calculation index (MCI) is a value established by law to calculate social benefits as well as penalties, taxes and other charges. It is determined annually during the budgeting process and is based on the expected inflation rate for the next year. One MCI was equivalent to KZT 2,405 ($7.42) in 2018 and to KZT 2,525 ($7.79) in 2019.
12. A company must register for VAT when its annual turnover reaches 30,000 MCI (monthly calculation index), in accordance with the provisions of Article 568.5 of the Tax Code.
13. On January 1, 2015, the requirement to obtain a company seal for business start-up was eliminated by the Law of the Republic of Kazakhstan on Amendments and Additions to Certain Legislative Acts of the Republic of Kazakhstan in Relation to Issues of Fundamental Improvement of the Business Environment in the Republic of Kazakhstan (No. NQ 269-V), December 29, 2014.
14. Law of the Republic of Kazakhstan on Payments and Payment Systems, Article 25 No.11 – VI, effective July 26, 2016, as amended on January 1, 2019.
15. Law of the Republic of Kazakhstan on Obligatory Insurance of Employees against Accidents in the Performance of Work and (Official) Duties, effective February 7, 2005, No. 30-III, as amended July 2, 2018.
16. Digital Report. May 31, 2017. "Review of Kazakhstan telecom market: Internet access and Internet services." Available at https://digital.report/kazahstan-dostup-v-internet/.
17. Attorneys are used in business registration in East Kazakhstan (Oskemen), Akmola (Kokshetau), the Almaty region (Taldykorgan), North Kazakhstan (Petropavl) and Zhambyl (Taraz).
18. According to data collected by the Committee on Statistics, SME registrations in Zhambyl (Taraz) increased from 920 to 1,215 new firms per year between 2016 and 2018. During the same period, the number of newly registered SMEs in North Kazakhstan (Petropavl) decreased from 732 to 623. Ministry of National Economy of the Republic of Kazakhstan, Committee on Statistics, official statistics accessed on January 14, 2019, http://stat.gov.kz.
19. While in 2017 it cost KZK 20,000 ($61.70) to retain a lawyer, in 2018 the price decreased to KZK 17,500 ($53.98).
20. The decline in the use of lawyers for business start-up is a trend seen across Kazakhstan and reflects the increase in popularity of the simplified business start-up process, which can be completed by entrepreneurs on their own.
21. Cancellation of the requirement to photograph the owners of the company is regulated by the Code of the Republic of Kazakhstan on

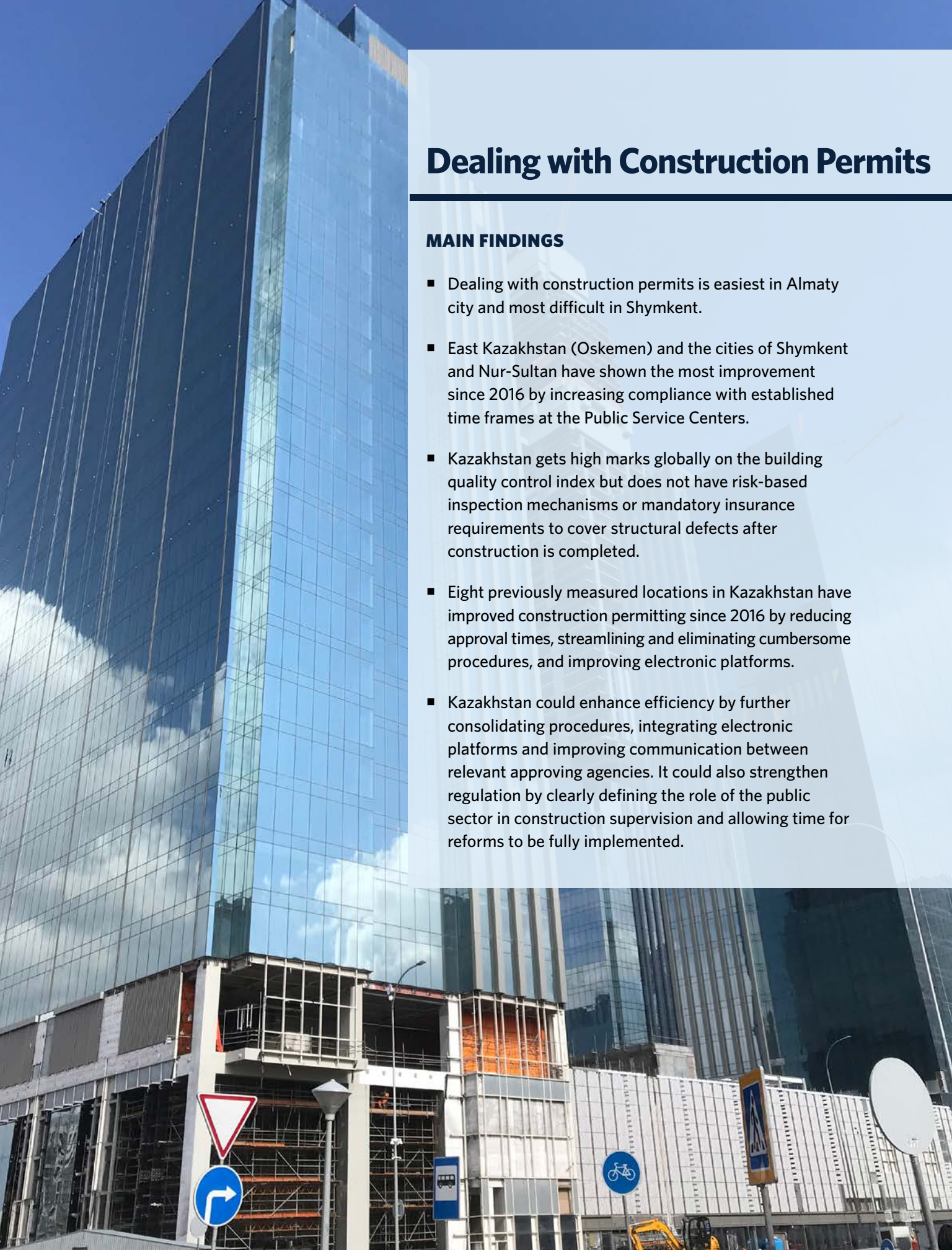
Taxes and Other Obligatory Payments into the Budget (Tax Code), effective December 10, 2008, as amended January 1, 2019, and the Law of the Republic of Kazakhstan on Countering the Laundering of Illegal Assets and the Financing of Terrorism, Article 13, effective August 28, 2009, as amended February 27, 2017.

22. Changes in time limits are regulated by the Code of the Republic of Kazakhstan on Taxes and Other Obligatory Payments into the Budget (Tax Code), effective December 10, 2008, as amended January 1, 2019, and the Law of the Republic of Kazakhstan on Countering the Laundering of Illegal Assets and the Financing of Terrorism, Article 13, effective August 28, 2009, as amended February 27, 2017.
23. Law of the Republic of Kazakhstan on State Registration of Legal Entities, Branches and Representations, effective April 17, 1995, No. 2198. February 27, 2017, No. 49-VI.
24. Law of the Republic of Kazakhstan on State Registration of Legal Entities, Branches and Representations, effective April 17, 1995, No. 2198. February 27, 2017, No. 49-VI. Information about this service is published at http://www.almaty.adilet.gov.kz/kk/node/166526.
25. To register as a voluntary VAT payer, the entrepreneur indicates "yes" to the option in egov when registering a company. No further steps are required. The company is considered a VAT payer when the registration is submitted.
26. Amendment to the Law of the Republic of Kazakhstan on Changes and Amendments to Certain Legislative Acts of the Republic of Kazakhstan on Improving Regulation of Entrepreneurial Activity. Amendment to the Entrepreneurial Code, effective May 24, 2018.
27. The size of the premium depends on risks as well as the employee's annual salary, and it is regulated by Article 17 of the Law of the Republic of Kazakhstan on Obligatory Insurance of Employees against Accidents in the Performance of Work and (Official) Duties, effective February 7, 2005, No. 30-III, as amended July 2, 2018.
28. Official statistics on SMEs from the Ministry of Justice of the Republic of Kazakhstan for January 1, 2018, through November 22, 2018, provided by the State Revenue Committee.
29. *Doing Business* database.
30. Based on interviews conducted by the *Doing Business* team.

Dealing with Construction Permits

MAIN FINDINGS

- Dealing with construction permits is easiest in Almaty city and most difficult in Shymkent.
- East Kazakhstan (Oskemen) and the cities of Shymkent and Nur-Sultan have shown the most improvement since 2016 by increasing compliance with established time frames at the Public Service Centers.
- Kazakhstan gets high marks globally on the building quality control index but does not have risk-based inspection mechanisms or mandatory insurance requirements to cover structural defects after construction is completed.
- Eight previously measured locations in Kazakhstan have improved construction permitting since 2016 by reducing approval times, streamlining and eliminating cumbersome procedures, and improving electronic platforms.
- Kazakhstan could enhance efficiency by further consolidating procedures, integrating electronic platforms and improving communication between relevant approving agencies. It could also strengthen regulation by clearly defining the role of the public sector in construction supervision and allowing time for reforms to be fully implemented.



Kazakhstan's economy expanded by 4.1% in 2018.[1] The government has attributed this growth to an increase in trade and to the revival of the construction industry, which accounted for 5.3% of GDP in the first nine months of the year.[2] While the oil and gas industry still accounts for the largest share of GDP, the construction sector is taking a larger role in the economy. It has consistently grown since 2010, surpassing the agricultural sector's contribution to GDP.[3]

To continue encouraging the growth of the construction sector, it is critical to strike the right balance between safety and efficiency. Smart regulation ensures public safety and secures revenue for the government while making the process easier for entrepreneurs. Conversely, an overly complex regulatory framework hurts business and may push construction into the informal economy. Construction is a labor- and resource-intensive undertaking that requires the cooperation of many different players. Across Kazakhstan it takes 17 to 18 procedures to get construction permits—4 to 5 more than in the average OECD high-income economy. Reducing the number of parties involved and steps required to realize a construction project is a way that governments can simplify the process for small and medium-size enterprises (SMEs). Establishing transparent and streamlined interactions between the various stakeholders in construction leads to a higher sense of responsibility and accountability and leaves less room for safety violations.

HOW DOES CONSTRUCTION PERMITTING WORK IN KAZAKHSTAN?

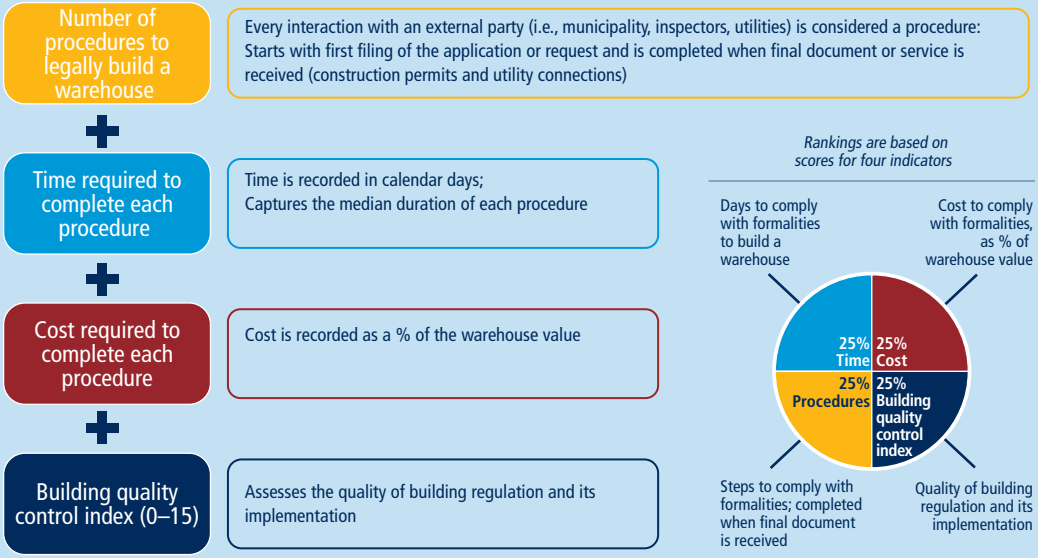
All building and construction activity in Kazakhstan falls under the same regulation—the Law on Architectural, Town Planning and Construction Activity. However, approval and clearances of construction projects are performed locally by the regional authorities in each location.

Kazakhstan requires more procedures to comply with the construction permitting process than the average for any region

What Does Dealing with Construction Permits Measure?

To measure the ease of dealing with construction permits, *Doing Business* records the procedures, time and cost required for a small or medium-size business to obtain the approvals needed to build a commercial warehouse and connect it to water and sewerage. This includes all inspections and certificates needed before, during and after construction of the warehouse. To make the data comparable across locations, it is assumed that the warehouse is in the periurban area of the analyzed business city, that it is not in a special economic or industrial zone and that it will be used for the general storage of nonhazardous materials such as books. In addition, *Doing Business* compiles a building quality control index that measures the underlying quality of construction regulations and controls. The index accounts for one-fourth of the ease of doing business score for dealing with construction permits (see figure).

Dealing with construction permits: measuring the efficiency and quality of building regulation



evaluated by *Doing Business*—17 procedures in Almaty city and 18 in the other cities and regions benchmarked. Nine of the steps are required before construction begins and only one takes place during construction (figure 4.1).

Before applying for an architectural planning assignment (APZ)[4]—a permit to develop a building plan or structural designs for the project—the builder needs to complete three steps. First, the applicant must obtain topographic and geological studies of the land plot; these services are performed by private licensed firms. Then the builder goes to the local utility company to request technical conditions for the connection to water supply and sewerage services.[5] In theory, this step should not be necessary. By law, the builder should apply through a local Public Service Center (PSC), which functions as the front office for the state corporation Government for Citizens. The PSC then liaises with the local Department of Architecture, which prepares the APZ and requests the technical conditions from the utility provider. The applicant should receive both the APZ and the technical conditions from the PSC no later than six business days after submitting the application.[6]

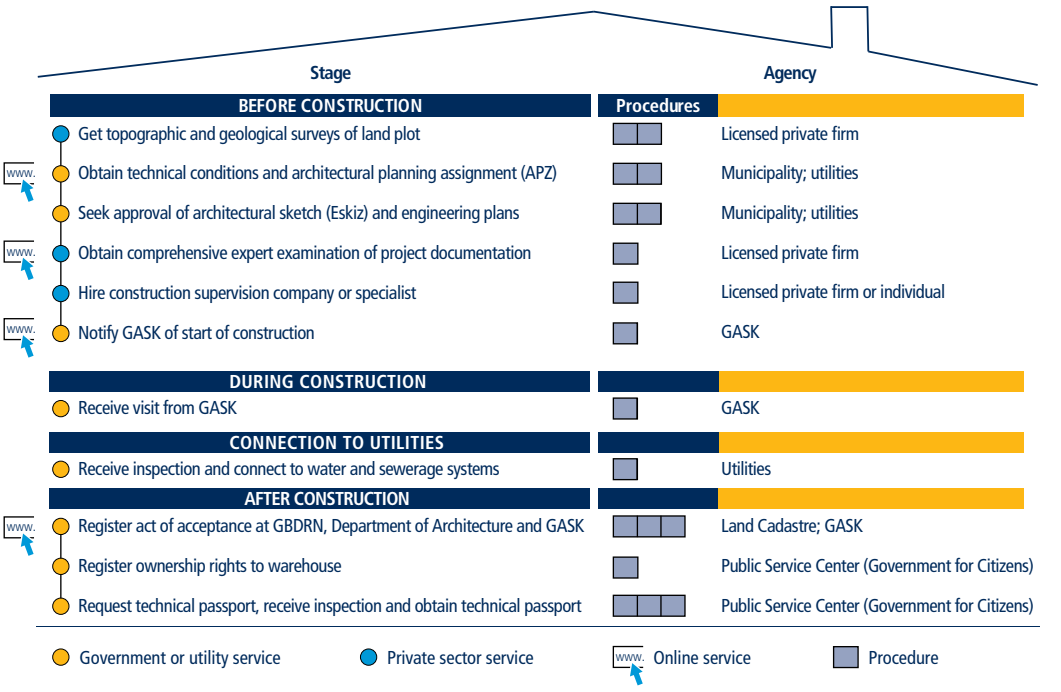
In practice, however, the "single window" principle for these procedures functions only in Almaty city, thanks to an electronic communication channel between the Department of Architecture and the local utility (box 4.1). Due to the lack of formal mechanisms (such as coordination guidelines and an integrated communication system) in the other 15 locations,[7] it is faster for the builder to obtain the technical conditions directly from the utility service.

Once the builder obtains the topographic and geological surveys, technical conditions and the APZ, he or she prepares and submits the draft architectural sketch (Eskiz) via the PSC to the Department of Architecture for approval.[8] Following approval of the Eskiz, the applicant must obtain clearance of the plans for engineering networks from the utilities that issued the technical conditions. While a commission of the local Department of Architecture holds weekly meetings with the participation of local utilities to review project documentation, in practice the applicant obtains the clearance separately from each utility to speed up the process.

After completing all these steps, the builder must still meet an additional requirement for project approval (figure 4.2)—submitting the project design for a comprehensive expert evaluation of project documentation. For technically straightforward projects, the expert evaluation is conducted by accredited private evaluation firms. Only after successfully completing this review is the project considered approved.

Once the project documentation is approved, the applicant must hire a technical supervision company to oversee

FIGURE 4.1 Nine of the 17–18 procedures across the 16 locations apply before construction begins



Source: Doing Business database.

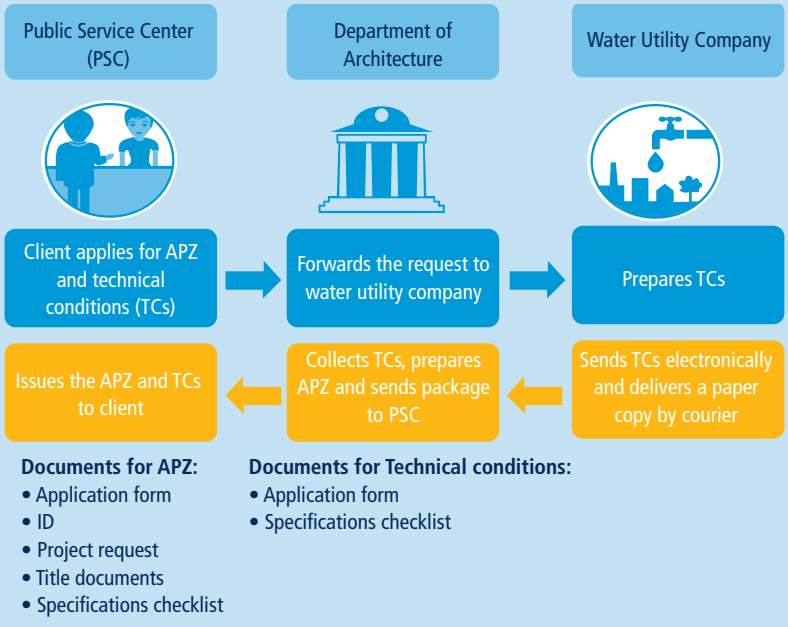
BOX 4.1 Almaty city leads the way in facilitating communication between the Department of Architecture and utility service providers

In principle, a Public Service Center (PSC) should provide a single entry point for a small business to request the architectural planning assignment (APZ) and technical conditions for connection to water and sewerage. However, this is not the case in most Kazakhstani locations. Most applicants obtain the technical conditions from the utility company on their own and then apply for the APZ separately, adding 11.5 days on average to the process.

Almaty city is the only measured location that has made the single-entry point work in practice. It has done so by streamlining the process, improving coordination between the Department of Architecture and utility companies and implementing an electronic document workflow within the *Electronic Akimat* system,[a] an integrated platform that allows the Department of Architecture and utility companies to seamlessly exchange documents. Almaty city was the first location to pilot a communication channel between the two agencies in 2016. Currently it takes a builder 10 days to obtain the APZ and technical conditions there—nearly half the time it takes on average for the two procedures across the country (19.5 days).

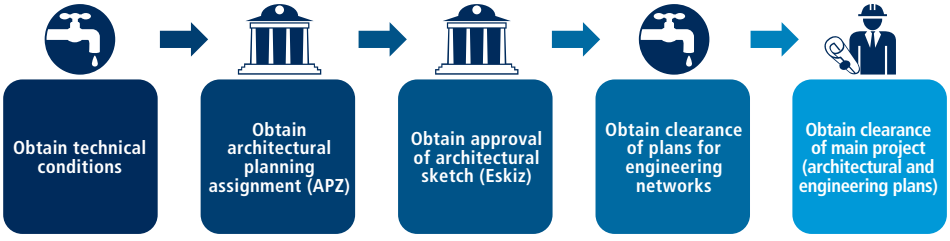
In 2019 Almaty city plans to allow applicants to apply for the APZ and the technical conditions online, reducing the number of trips to the PSC.

Single window for architectural planning assignment (APZ) and technical conditions in Almaty city



a. Electronic Akimat ("Electronic Municipality") is a state-run electronic management system aimed at introducing e-government platforms in the daily work of local executive bodies to help them streamline procedures and shift to electronic document workflow.

FIGURE 4.2 Obtaining a project approval in Kazakhstan requires five procedures involving three separate entities*



Source: Doing Business database.

* The entities involved are the respective water and sewerage utility provider in each location, the Department of Architecture and the PSC.

the course of construction and notify the Administration of State Architectural and Construction Control (GASK) about the start of construction works. The applicant submits the notification through the e-license website (https://elicense.kz/) and receives a confirmation ticket.[9] The notification is completed online in all locations except Nur-Sultan, where it is still common to submit the notification in person. In Nur-Sultan GASK authorities ask that the client register the ticket in person after receiving it online, so many applicants save time by simply submitting the notification in person.

The applicant may begin construction works as soon as the notification is submitted. A February 2018 decree[10] eliminated the requirement for GASK to inspect the site before construction starts. In practice, however, a representative of GASK generally still pays a visit to the construction site to visually check that the site is in fact located where the documents specify and that it is properly fenced.

Kazakhstani law mandates that an entrepreneur hire a private technical supervision specialist to oversee construction and submit monthly reports to GASK. This third-party technical supervisor also certifies that the building is ready for occupancy after construction is complete. To save time, it is common practice to sign a contract with the technical supervisor while the project documentation is still being reviewed by the private evaluation firm. Akmola (Kokshetau) is the only location where builders prefer to wait for the results of the expert evaluation before signing a contract, in order to avoid having to make any changes to the contract later.

During construction the builder prepares the site for connection to water and sewerage by conducting excavation and plumbing works. Once the applicant informs the utility company that the site is ready to be connected, the utility schedules an appointment to connect the building to the water supply network and the sewerage system.

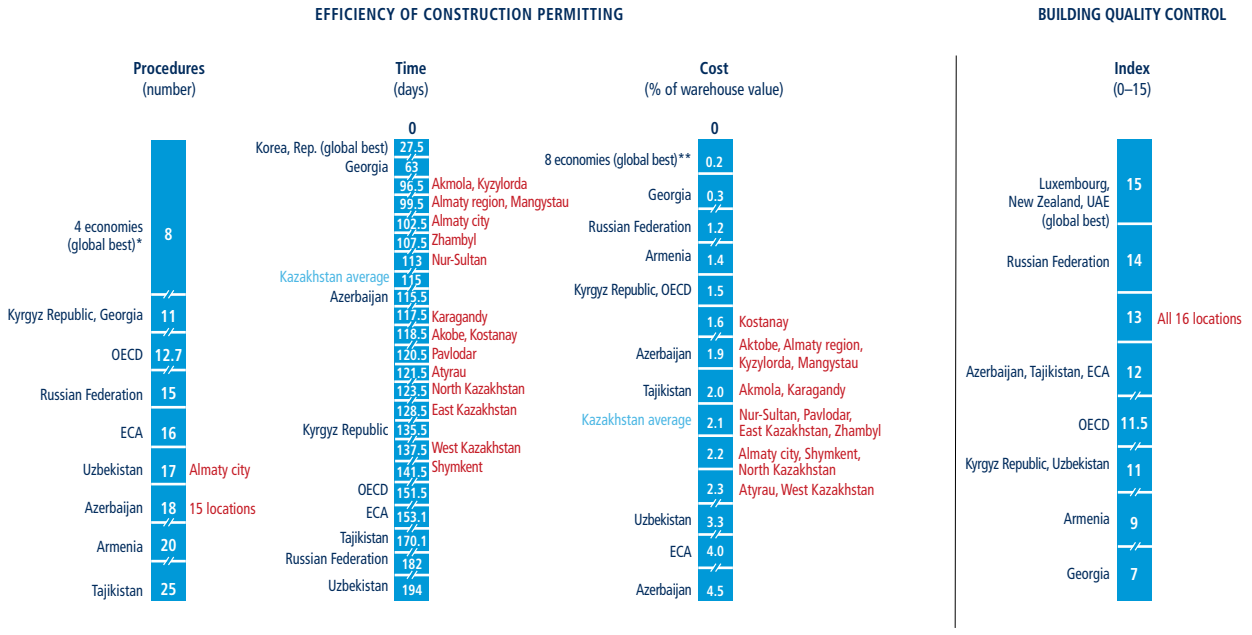
After construction the builder must complete seven different steps with the authorities, most of which are initiated at the local PSC. The building company and the technical supervision firm sign the act of acceptance, certifying that the building is ready for occupancy. In Kazakhstan the authorities are not present at this stage for relatively simple projects such as the one in the *Doing Business* study. The applicant must submit three copies of the act of acceptance to the PSC, which then forwards them to three different agencies: one copy to the State Database of Registered Property (GBDRN), which enters the technical characteristics into the database, and the other two to GASK and the Department of Architecture, both of which register and archive the act of acceptance.[11] All three procedures occur simultaneously and when the applicant picks up the act of acceptance from the PSC it is stamped by all three agencies. These agencies do not have a shared database, so the PSC interacts with each of them separately to process the act of acceptance. After receiving the stamped act of acceptance, the applicant applies at the PSC to register the rights to the warehouse.[12]

Finally, the applicant typically obtains a technical passport specifying the technical characteristics of the completed building. Even though this document is no longer required to register property rights for newly constructed buildings, banks (and sometimes other agencies) request a technical passport for other purposes, so applicants obtain it. This involves three procedures: submitting an application at the PSC; having an inspection done by the Department of Land Registry and Technical Inspection of Immovable Property, which is part of Government for Citizens; and receiving the technical passport from the PSC.

Despite dealing with a complex process, builders across Kazakhstan obtain construction permits at least a month faster than their counterparts in Europe and Central Asia (ECA) and in OECD high-income economies. Across Kazakhstan dealing with construction permits requires an average of 18 procedures, takes 115 days and costs 2.1% of the warehouse value. The process is similarly complex across the ECA economies as a whole, but it takes over a month longer on average and costs nearly twice as much—16 procedures and 170 days, at a cost of 4% of the warehouse value. By comparison, the process of obtaining construction permits in OECD high-income economies is simpler and less expensive, taking an average of 13 procedures and costing 1.5% of the warehouse value; however, it takes a month and a half longer than in the average Kazakhstani location to go through the process.

Compared globally, all benchmarked locations in Kazakhstan have a high score on the building quality control index—13 out of 15 possible points. This is ahead of Azerbaijan (12 points), Tajikistan (12), the Kyrgyz Republic (11) and Uzbekistan (11). The only economy with a higher score on the building quality control index in the region is the Russian Federation, with 14 points (figure 4.3). The building quality control index assesses both quality control and safety mechanisms in six primary areas (for a maximum of 15 points): transparency and quality of building regulations; quality control before, during and after construction; liability and insurance regimes; and professional certifications. In Kazakhstan the Law on Architectural, Town Planning and Construction Activity sets the legal framework for construction, while technical aspects are covered in the Construction Norms and Rules. The legal framework is national, but municipal and regional authorities are expected to provide feedback on the implementation of new reforms and make suggestions for further changes. In practice, though, interviews with representatives of regional authorities revealed that their involvement in this process is minor and that the reform agenda is primarily driven by the authorities in the capital.

FIGURE 4.3 Dealing with construction permits in Kazakhstan is fast and has high quality standards but requires more procedures than in OECD high-income economies



Source: *Doing Business* database.

Note: OECD is the average for OECD high-income economies; ECA is the average for economies of Europe and Central Asia.

* These are Denmark, the Marshall Islands, Cyprus and Montenegro.

** These are Mongolia, St. Vincent and the Grenadines, Trinidad and Tobago, Barbados, Estonia, Suriname, the Czech Republic and the Slovak Republic.

A good performance on the building quality control index is buttressed by accessibility to information, quality control before, during and after construction and qualified professionals working in the construction industry. There is still room for improvement on setting mandatory insurance regimes to safeguard against defects in construction and on introducing a mechanism of risk-based technical inspections during construction.[13] Kazakhstan makes all building regulations and information on all required construction permitting steps available to the public online and clearly specifies the fees for government services. Local authorities in all the locations are staffed with licensed architects and engineers who verify that the building plans follow the building regulations and who participate in approving the plans. The project designer and the independent technical supervision company responsible for the project are required to submit monthly reports to the regional authorities during construction. After construction is complete, final inspections are carried out by the in-house engineer and the technical supervision company. If structural defects are discovered after a building has been occupied, Kazakhstani law holds the architect or engineer in charge of drawing the plans, the professional in charge of the technical supervision and the construction company legally liable. However, there is no legal obligation for any of the involved parties to obtain a mandatory insurance policy to cover possible defects. Finally, Kazakhstan has formal qualification requirements for the professionals involved in reviewing the plans and supervising construction activities.

How the process compares

Even though the construction permitting system is legally mandated at the national level, the efficiency of building a warehouse and connecting it to water and sewerage systems varies in practice across Kazakhstan.

Obtaining the necessary approvals to build a warehouse and connect it to water and sewerage systems requires between 17 and 18 procedures, takes between 96.5 and 141.5 days and costs between 1.6% and 2.3% of the warehouse value. The process is easiest in Almaty city and most difficult in Shymkent (table 4.1). In Almaty city entrepreneurs can obtain the APZ and the technical conditions for the connection to water and sewerage at a single window. Overall, the process there takes 102.5 days at a cost of 2.2% of the warehouse value. The same process in Shymkent will cost the same but will require an extra procedure and take 39 additional days.

In four regions—Kyzylorda, Akmola (Kokshetau), Mangystau (Aktau) and Almaty region (Taldykorgan)—the

TABLE 4.1 Dealing with construction permits in Kazakhstan—where is it easier?

Location	Rank	Ease of doing business score (0–100)	Procedures (number)	Time (days)	Cost (% of warehouse value)	Building quality control index (0–15)
Almaty city	1	76.47	17	102.5	2.2	13
Kyzylorda	2	76.24	18	96.5	1.9	13
Akmola *(Kokshetau)*	3	76.07	18	96.5	2.0	13
Mangystau *(Aktau)*	4	76.03	18	99.5	1.9	13
Almaty region *(Taldykorgan)*	5	75.99	18	99.5	2.0	13
Zhambyl *(Taraz)*	6	75.23	18	107.5	2.1	13
Kostanay	7	74.99	18	118.5	1.6	13
Nur-Sultan	8	74.80	18	113	2.1	13
Aktobe	9	74.59	18	118.5	1.9	13
Karagandy	10	74.54	18	117.5	2.0	13
Pavlodar	11	74.22	18	120.5	2.1	13
North Kazakhstan *(Petropavl)*	12	73.88	18	123.5	2.2	13
Atyrau	13	73.87	18	121.5	2.3	13
East Kazakhstan *(Oskemen)*	14	73.60	18	128.5	2.1	13
West Kazakhstan *(Oral)*	15	72.75	18	137.5	2.3	13
Shymkent	16	72.59	18	141.5	2.2	13

Source: Doing Business database.

Note: Rankings are based on the average ease of doing business score for the procedures, time and cost associated with dealing with construction permits as well as for the building quality control index. The ease of doing business score is normalized to range from 0 to 100, with 100 representing the best regulatory practices (the higher the score, the better). The ease of doing business score from the 2019 report includes all data revisions and methodological changes implemented since the *Doing Business in Kazakhstan 2017* report. In addition, the inclusion of 8 new locations in the 2019 report produced changes in the classification of previous reports on the economy. For more details, see the chapter "About *Doing Business* and *Doing Business in Kazakhstan 2019*."

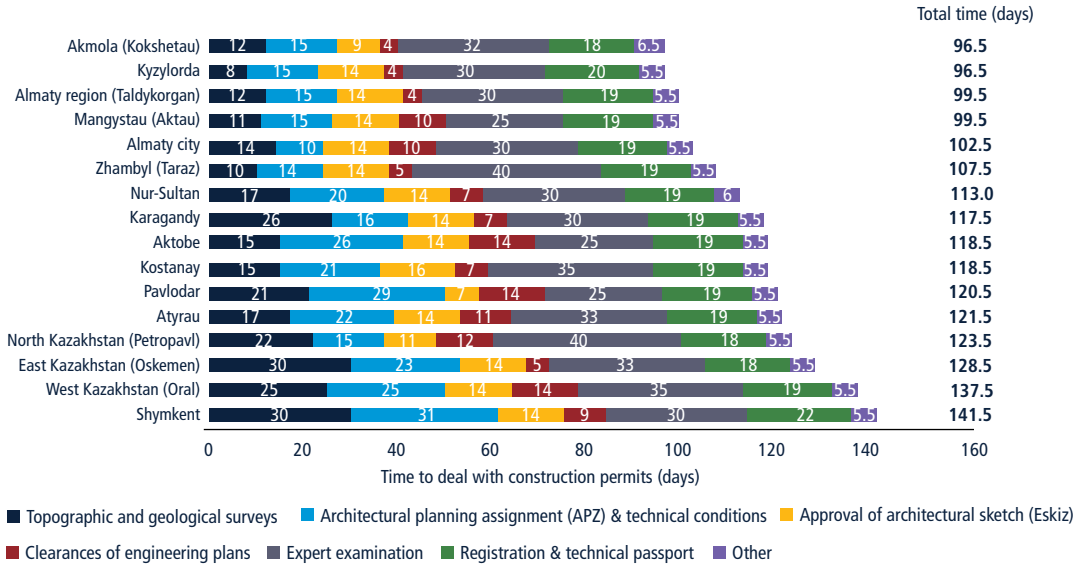
construction permitting process takes less than 100 days, thanks to fast turnaround times for getting topographic and geological surveys and for obtaining technical conditions and clearances from the utility. At 96.5 days overall, the permitting process is faster in Kyzylorda and Akmola than in Armenia (98 days), and at 99.5 days it is faster in Mangystau and Almaty region (Taldykorgan) than in Estonia (103 days). It takes only 6 days to obtain a topographic survey and 12 days to get a geological study in Almaty region (Taldykorgan), while in Mangystau it takes only 7 days and 11 days for these procedures, respectively, and 7 days for each in Kyzylorda. The average in Kazakhstan is 8 days for a topographic study and 18 days for a geological study.

Interactions with the water utility are also fast in these four regions. It takes 7 days to obtain technical conditions for the water and sewerage connection in all four locations and 4 days to obtain a clearance of the plans for engineering networks in Almaty region (Taldykorgan) and Kyzylorda. Across Kazakhstan these procedures take on average 9.5 days and 8.6 days, respectively. Historically, Akmola and Kyzylorda are regions with specific technical expertise in the field of geological studies, dating back to Soviet times. Another advantage: these locations have a large number of highly professional laboratories—five in Kokshetau and four in the city of Kyzylorda—where soil testing and analysis are performed. In the Almaty region (Taldykorgan) builders credit the mild winters for keeping the process moving, as topographic surveys and geological studies can be conducted year-round with few interruptions.

Securing the expert evaluation of project documentation is the longest step in the process and the second largest driver of time differences after obtaining topographic and geological studies. The time ranges from 25 days in Mangystau, Aktobe and Pavlodar to 40 days in North Kazakhstan (Petropavl) and Zhambyl (Taraz). While licensed private firms have an incentive to conduct the evaluation in a timely manner in order to attract more business, they are often understaffed and have a backlog of projects to evaluate. In practice, completing the evaluation requires several rounds of revisions and consultations, taking far longer than the legal time limit of 14 days. While project evaluation accounts for 21% to 37% of the total time it takes to build a warehouse and connect it to utilities, the main drivers of the variation in time across the locations are the waiting times to obtain topographic and geological studies (figure 4.4), which can range from 8% to 23% of the total time.

Services rendered by licensed private sector professionals account for nearly all the cost of the construction process—and are also the greatest source of variations across locations. The average cost of dealing with construction permits in Kazakhstan is 2.1% of the warehouse value—KZT 2,624,374 ($8,095)—and ranges from 1.6% of the warehouse value in Kostanay to 2.3% in Atyrau. The entrepreneur incurs the highest expenses when obtaining topographic and geological studies, receiving an expert evaluation of the project documentation and hiring a construction supervision specialist. These

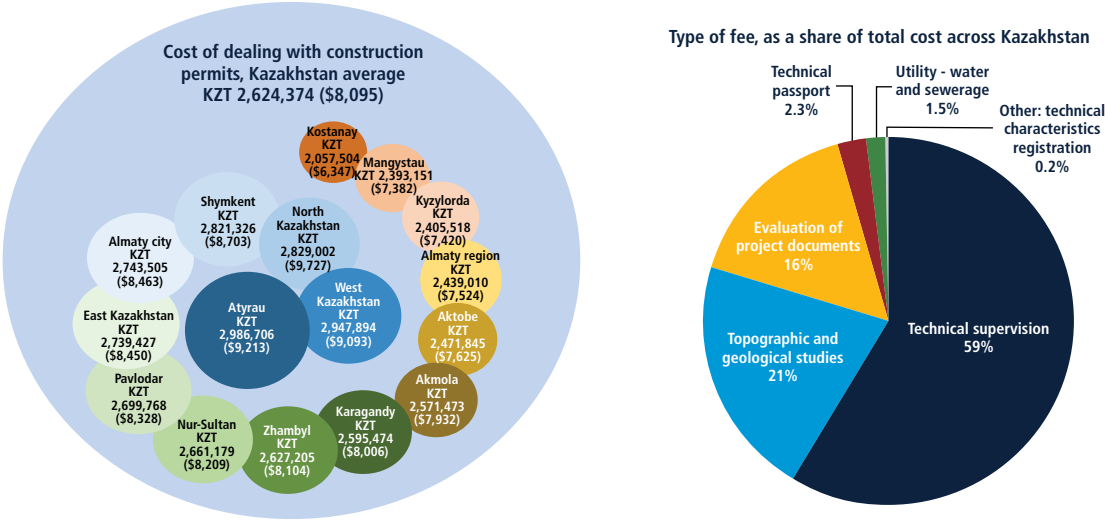
FIGURE 4.4 Waiting times for topographic and geological studies are the main drivers of the variation in time in construction permitting



Source: Doing Business database.

services are all rendered by licensed private sector firms in Kazakhstan and account for 96% of the cost of dealing with construction permits (figure 4.5). In Kostanay a builder spends KZT 300,000 ($925) on a geological survey, which is 28% lower than the national average for this procedure (KZT 417,319, or $1,287). Builders in Kostanay claim that the market for private firms and laboratories offering geological studies in the city is oversaturated, driving competition and lowering prices. Hiring a licensed private construction supervisor is also cheapest in Kostanay, where it costs the builder KZT 1,200,000 ($3,702)—23% lower when compared with the national average of KZT 1,556,128 ($4,800). The geological survey is most expensive in Atyrau (KZT 600,000, or ($1,851); one explanation is that Atyrau's main focus is oil production, which increases demand (and therefore prices) for specialized services such as geological surveys.

FIGURE 4.5 Private sector services account for 96% of the cost of dealing with construction permits



Source: Doing Business database.
Note: Costs are based on the assumed *Doing Business* warehouse, valued at KZT 127,888,723.76 ($394,500).

Obtaining a private expert evaluation of the project documentation is most expensive in Almaty city (KZT 448,000, or $1,382), which is in part due to the high demand for such services in the largest business city. Finally, hiring a private construction supervision specialist is most expensive in West Kazakhstan (Oral), at KZT 1,800,020 ($5,553).

WHAT HAS CHANGED?

Eight previously measured locations in Kazakhstan have improved construction permitting since 2016 by reducing approval times, streamlining and eliminating cumbersome procedures, and improving electronic platforms (table 4.2). These changes were implemented at the national level and have had an effect throughout all the benchmarked locations.

At the national level Kazakhstan eliminated the need for clearance of the plans for engineering networks by the Department of Architecture in February 2018. The builder previously had to obtain this clearance from both the Department of Architecture and the water utility service provider, which constituted two separate procedures. Today only the water utility's clearance is required, as a licensed architect checks this information during the expert evaluation of project documentation.[14] This reform reduced the time to obtain construction permits by 17.5 days in Aktobe and 52.5 days in East Kazakhstan (Oskemen).

In March 2018 Kazakhstan merged the water utility site inspection with the procedure to connect to water and sewerage, eliminating the need for two separate interactions.[15] As all the construction works to prepare the site for the connection are carried out by the building company, the water utility comes on the day of the connection to make sure that the builder is ready to connect to the main water source and supervises the connection. This step eliminated 1 procedure and reduced the time by 1 day in all locations.

Kazakhstan created additional incentives for entrepreneurs to build by lowering property registration costs by 90% for small businesses. Previously, the cost for property registration was measured in units of the monthly calculation index (MCI) and constituted 10 times the MCI.[16] However, thanks to legislation passed in September 2018, the cost of registration for small businesses[17] was reduced to a flat fee of KZT 2,147.30 ($6.62), which reduced the cost for this procedure across Kazakhstan.

In an effort to make construction permitting easier, Kazakhstan has put more of these services under the umbrella of the PSCs. Relying on PSCs to be the intermediary between the builder and the authority has brought many otherwise cumbersome procedures under one roof. While the applicant must still complete a long list of procedures, strict internal guidelines on compliance have had a positive impact on the time it takes PSCs to comply with construction permitting. For example, the act of acceptance must be filed with three separate entities, but the applicant now needs to go just to the local PSC instead of visiting each agency separately. It is up to the PSC to make sure that the time limits for registering the act of acceptance with the three agencies are respected. Because these procedures now go through the PSC, the legally mandated time limits to register the act of acceptance and to register property rights to the warehouse are being respected in all benchmarked locations.

In fact, it takes less time now than in 2017 for most construction-related procedures conducted through PSCs. This improvement is due in part to the strict oversight exercised by Government for Citizens to make sure that individual agencies and PSCs are meeting the deadlines for completing procedures. The regulator

TABLE 4.2 Who has made it easier to deal with construction permits since 2016?

Location	Overall	Reduced approval time	Streamlined procedures	Improved efficiency	Improved electronic notification mechanisms
Aktobe	✔	✔	✔	✔	✔
Almaty city	✔	✔	✔	✔	✔
Nur-Sultan	✔	✔	✔	✔	
East Kazakhstan *(Oskemen)*	✔	✔	✔	✔	✔
Karagandy	✔	✔	✔	✔	✔
Kostanay	✔	✔	✔	✔	✔
Pavlodar	✔	✔	✔	✔	✔
Shymkent	✔	✔	✔	✔	✔

Source: Doing Business database.
Note: This table records all *Doing Business* reforms that occurred between December 2016 and December 2018.
✔ = *Doing Business* improvement making it easier to deal with construction permits.

requires the agencies to submit monthly tracking reports of their work, with a system of warnings and fines established for exceeding legal time limits.

As a result, deadlines are being met. It takes one day to complete the registrations of the act of acceptance with GBDRN, GASK and the Department of Architecture, three days to register the rights of the warehouse and one day to request a technical passport. In nine locations applicants can obtain a technical passport within the official time limit of 12 days.[18]

Despite improvements, some locations are still struggling to meet deadlines to issue approvals and clearances. Builders in East Kazakhstan, Kostanay and Shymkent still experience delays in obtaining a technical passport for a completed building.[19] Nevertheless, channeling this procedure only through the PSC is helping these cities close the gap. The process is 9 days faster in Oskemen than it was in 2016 and 13 days faster in Shymkent. Locations have also reduced the time to obtain the APZ and the approval of the architectural sketch, or Eskiz. Notably, the time it takes for builders to obtain the APZ has been reduced by 7 days in Nur-Sultan, 12 days in East Kazakhstan and 11 days in Shymkent. The approval of the Eskiz now takes 9 fewer days in Nur-Sultan than in 2016, 6 fewer days in Kostanay and 5 fewer days in Shymkent.[20]

Not all changes have made construction permitting easier for entrepreneurs, though, and a well-meaning reform can have unintended consequences. Take the technical passport. In an effort to simplify postconstruction procedures, Kazakhstan eliminated the need to obtain this document for newly constructed buildings—a cumbersome procedure requiring three separate interactions with authorities. The technical passport was replaced by a new procedure, where the act of acceptance and the approved project design are used to enter technical characteristics of the building into the GBDRN database.[21] When the applicant submits the act of acceptance to the PSC, it is registered at the same time with the GBDRN, GASK and the Department of Architecture. However, entrepreneurs continue to request—and the administration continues to issue—a technical passport, as this is still necessary for other purposes; for example, banks require it to use a building as collateral. In practice, then, this reform has added a new procedure and complicated the process instead of simplifying it.

WHAT CAN BE IMPROVED?

Increase efficiency by consolidating procedures

One of the main bottlenecks for construction permitting in Kazakhstan is the large number of clearances and approvals an entrepreneur must obtain before and after construction. A Kazakhstani builder must complete five more steps on average than a builder in the average OECD high-income economy. Of the 17 to 18 required procedures, 9 are necessary before construction works may even begin.

Despite continuous efforts to try to reduce the number of required steps, construction permitting in Kazakhstan still has several areas where procedures could be consolidated. While the plans for engineering networks are no longer being separately approved by the Department of Architecture, they continue to require clearance by the utility. This clearance is later repeated during the comprehensive evaluation of project documentation by a private company. Kazakhstan could simplify this process by making the technical conditions from the utilities available on the online platform used by the expert committee (epsd.kz). The private evaluation firm could then review the engineering plans against the technical conditions issued by the utility. In some locations eliminating the separate clearance by the utility could save builders two weeks.

To reduce the number of postconstruction steps, Kazakhstan could consolidate some of the procedures that are administered by PSCs after construction, such as registering the act of acceptance with the GBDRN, GASK and the Department of Architecture and registering the rights to the warehouse. For this to work, the government would need to unify the electronic databases between these agencies to facilitate coordination. The improvement would reduce the number of interactions between the applicant and the PSC by three steps.

Integrate electronic platforms and improve communication between agencies involved in construction permitting

Kazakhstan has already made tremendous leaps in its efforts to improve coordination between agencies and increase the number of construction permitting services that can now be completed online. Consequently, the number of required procedures to build a warehouse in Almaty city has gone down from 28 in 2013 to 17 in 2019. This trend is expected to continue. In December 2017 the government approved the launch of Digital Kazakhstan[22]—a five-year program that uses digital technologies to improve many of the services offered to citizens. Kazakhstan could use this initiative as an opportunity to strengthen communication mechanisms and integrate electronic portals between agencies involved in construction permitting and oversight across the country.

For example, the use of an online communication platform between the Department of Architecture and utility service providers has improved efficiency in Almaty city and made it easier for the agencies to prepare and exchange documents necessary for the development of the construction project. This mechanism is not fully implemented in any of the other benchmarked locations, although plans to do so are in the pipeline.

The United Arab Emirates serves as an example of an economy where a similar

reform was successfully implemented. In May 2014 the Dubai municipality granted the Dubai Civil Defense Authority direct access to its e-permitting system in order to review and grant approvals online. This innovation made it possible to request and obtain the civil defense approval jointly with the request for the no-objection certificates and the building permit, reducing the number of procedures and days required to complete the process.

Integrating the electronic platforms used by the various agencies involved in construction would also allow for enhanced coordination. At the moment representatives of these agencies—the Department of Architecture, GASK and the State Evaluation of Projects (GosEkspertiza)[23]—are unable to view information on the status of approvals, clearances or supervision handled by the other agencies. A shared database would allow a GASK representative, for example, to easily check on a construction project to see whether the documentation has been evaluated at GosEkspertiza.

Introducing coordination mechanisms and integrating platforms would increase transparency, improve efficiency and help decrease the number of human interactions between parties, thereby decreasing the number of procedures the builder has to complete separately.

Introduce mandatory insurance regimes for latent defects

In Kazakhstan, if structural defects are discovered in a building once it is in use, the liability falls on the architect or engineer who designed the plans, the professional who was in charge of the supervision and the construction company. However, purchasing liability insurance to cover costs associated with structural defects ("latent defect liability insurance") is not required by law. Without insurance, payment of damages by those found liable can be difficult if not impossible to secure. In many countries where there is no legal requirement to purchase latent defect liability insurance, contractual obligations establish the liability term (usually 10 years) and insurance requirements. In Kazakhstan latent defect liability coverage is not usually addressed in contracts and most parties do not obtain such insurance in practice.

Liability insurance is vital in the construction industry because it ensures accountability of practitioners and enforcement agencies and provides safeguards to project owners as well as to the public. In Kazakhstan, where many construction-related services tend to be handed over to the private sector, protection mechanisms such as decennial liability insurance are essential. Nowadays for a simple construction project, everything from project design to expert evaluation of project documentation to technical supervision can be outsourced to the private sector, which simplifies the construction process for the builder and increases efficiency. The practice of involving private sector professionals in the construction permitting process makes it important to institute legal requirements for insurance regimes.

Recently, India and Togo introduced legal requirements for parties to subscribe to latent defect liability insurance, holding architects and engineers who designed the project, the professional in charge of technical inspections during construction and the construction company liable. In addition, while there is no legal requirement in the Philippines to subscribe to latent defect liability insurance, involved parties now commonly obtain insurance plans to protect themselves in case of structural defects discovered after construction is complete.[24]

Take the existing classification of risk categories for buildings a step further and introduce risk-based inspections

Kazakhstan has a system for classifying construction projects by risk level, which affects the permitting process for obtaining approvals and carrying out the expert evaluation of project documentation. This classification system also leads to a variation in the legal deadlines to complete certain procedures, with more complex projects having longer time limits for review. However, the existing risk categorization does not determine the type and number of inspections required during the construction process. The inspection process in Kazakhstan is in the hands of private third-party companies and in-house engineers. While conducting technical inspections during construction is critical to ensure construction safety, taking into account potential risks of the different project types is, arguably, even more important. Currently Kazakhstan lacks a mechanism to differentiate the inspection process based on the project's size, purpose, category of risk or potential danger to the public.

Introducing risk-based inspections is not without difficulty. Some prerequisites include having a strong legal system in place, being able to accurately classify buildings by risk and ensuring proper training for inspectors and engineers, among other criteria.

Differentiating technical inspections by category of construction risk has multiple benefits. It would allow for potentially dangerous projects to be treated with more scrutiny, increasing building safety. It would also help allocate resources more wisely and efficiently and could simplify the process of obtaining some of the approvals before and after construction for less complicated projects. By spending less time on low-risk construction, inspectors could devote more attention to higher-risk projects such as high-rises or power plants.

Here Kazakhstan could take a page from the Russian Federation, which introduced a system in which the number of inspections varies depending on the risk categories of construction projects. Since Kazakhstan already has a detailed building classification system in place, the next logical step is to introduce legislative changes that would outline a matrix

of inspections during the construction process, taking the potential risk level into consideration. Such a matrix would clearly prescribe the type, number, and frequency of inspections, depending on the category of the construction project.

Clarify the role of GASK in construction supervision

In an effort to prevent unauthorized inspections and to reduce corruption risks, Kazakhstan has over time moved away from inspections conducted exclusively by GASK and has handed over most of the responsibilities for ensuring quality and safety in construction to the private sector and to the in-house engineer. However, the change has not been smoothly implemented. Frequent revisions to the regulation have created confusion among builders and GASK representatives regarding the power the inspection authority now has. The confusion is amplified by the fact that neither the entrepreneurs nor the local authorities are always certain about the stage of implementation of new regulations.

Builders and GASK authorities alike report that unauthorized site visits and general visual inspections by GASK inspectors continue to take place. GASK inspectors should inspect a site only when an official complaint is filed. At the same time, inspections conducted by private licensed experts allegedly do not occur regularly, are unreliable and do not always ensure safety of construction. Builders interviewed in the context of this study report that they sometimes nominally sign contracts with technical supervisors to expedite construction but that inspections do not necessarily take place in practice. For this reason, GASK inspectors in many regions expect that some inspection functions will be returned to GASK authorities in 2019.

While giving the private sector more responsibility in construction supervision is generally a good practice—so long as the mission is well-defined and regulated—the process must be easy for all parties to understand. There also needs to be oversight of the private sector to ensure that the required inspections are actually taking place. In the 1990s New Zealand attempted to hand over many of the regulatory duties to the private sector without ensuring that proper private certification requirements were in place. This resulted in the "leaky building syndrome," with the cost of repairing 42,000 leaky buildings amounting to more than $8.3 billion. The attempt to switch entirely to third-party inspections backfired, and New Zealand eventually reverted to the traditional public sector regulatory role.[25]

Similarly, barring GASK entirely from official inspections during the construction process could lead to long-term quality and safety risks. Since GASK's main duty is to ensure safety practices in construction, inspection protocols could be strengthened by allowing the officials on-site once during construction to mitigate the risk that the construction project does not follow GASK-approved construction standards.

Implement reforms fully, with ample dissemination of information to civil servants and the public

Kazakhstan recently abolished the requirement to obtain a technical passport for newly constructed buildings. Instead, it is sufficient to simply register the technical characteristics of the building in the GBDRN database—a new procedure that was introduced to replace the procedures for obtaining a technical passport. While officially a builder no longer needs to obtain a technical passport in order to register property rights, the study found that entrepreneurs continue to obtain a technical passport for newly constructed buildings, as it remains required in later operations (e.g., to be used as collateral at the bank). This reform has thus far failed to simplify the process, since in practice builders continue obtaining a technical passport (a three-step process). Moreover, it has caused confusion for entrepreneurs and officials alike, and has added an extra step to an already cumbersome process.

When an economy is on a path of rapid development, many changes are often introduced in short periods of time. While the intention is to make a process more efficient and transparent, rapid changes can lead to confusion for the implementing agency as well as for the client. A legislative body needs time to fully implement a reform in practice, properly disseminate information regarding impending changes and train the various agencies involved. If the permitting agencies are themselves struggling to keep up with implementing rapid legislative changes, the builder may circumvent certain legally required procedures in order to complete the project in the scheduled time frame, increasing corruption risks and putting the safety of the construction project in question.

When new regulations go into effect, they must be accompanied by a strong dissemination campaign that communicates the changes to the relevant authorities and the public in writing and that includes procedural manuals, clear guidelines and regular training workshops for local agencies and clients. On the side of the permitting authorities, reports in the regions—especially in less populous, more remote locations—suggest that there is a lack of consistent dissemination and training workshops on new reforms. Local and regional authorities across Kazakhstan should receive training on major changes in construction permitting procedures so that they can understand them and communicate them to the public. This requires building rapport between the central legislative body, local implementing authorities and the public. Targeted training workshops and effective, ongoing communication campaigns with civil servants and the public would improve the quality of public service in construction and eliminate misinterpretation of regulatory changes.[26]

Provide technical consultation services on construction permitting to entrepreneurs at the Public Service Centers

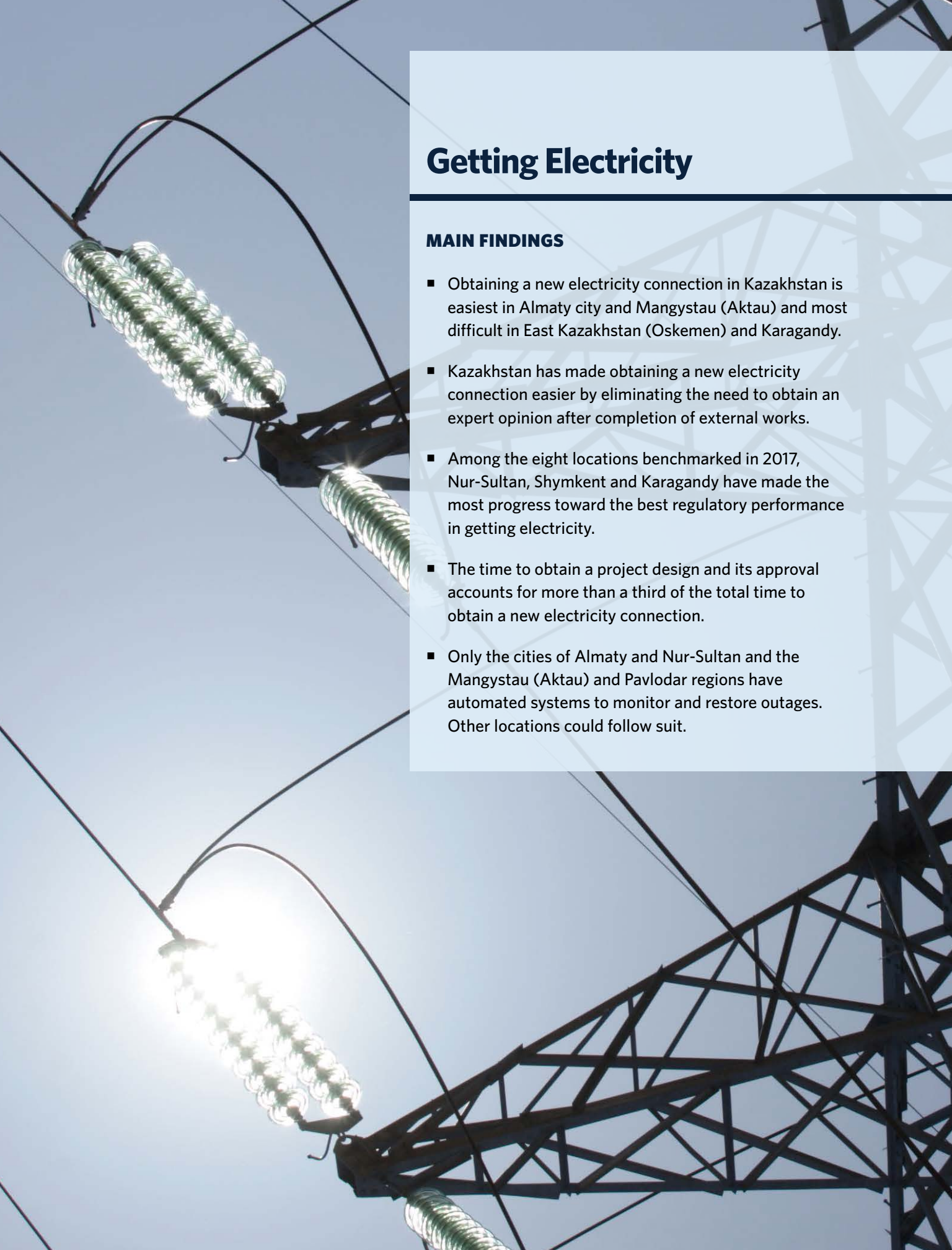
PSCs coordinate construction permitting services between the entrepreneur and the relevant public agency. As a result, builders have fewer direct interactions with construction experts responsible for reviewing and approving the documentation for their projects. While this has simplified many processes by creating a single entry point, applicants' technical queries may go beyond the expertise of the representatives staffing the PSCs. This can lead to delays—for example, if the applicant needs to consult with the Department of Architecture before being able to submit the necessary documentation—and can cause misinformation if a PSC representative tries to solve an issue beyond his or her direct expertise. In the long run, this could result in complicating the communication process and cause delays in submitting applications and receiving the necessary clearances and approvals.

A possible solution would be to allow entrepreneurs to consult technical experts at the Department of Architecture prior to submitting an application to a PSC. These experts could establish "office hours" at PSCs on certain days of the week to provide consultation services on construction-related issues. The Russian Federation's multifunctional centers have a similar consultation service for legal issues related to incorporation procedures and property registration. Kazakhstan could take such an approach further and provide an array of consultations on technical aspects of the construction process. Making consultation services commonplace would, in turn, lead to more complete applications and a lower rate of refusals and requests for revisions from the technical agency.

NOTES

1. Sputnik Kazakhstan. 2018. "Softening of inflation pressure and increase in investment demand drive economic activity in Kazakhstan." October 17. Available at https://ru.sputniknews.kz/economy/20181016/7625992/kazakhstan-vvp-rost.html.
2. Ministry of National Economy of the Republic of Kazakhstan. Committee on Statistics. Site table downloaded on December 16, 2018. Available at http://stat.gov.kz.
3. Ministry of National Economy. Committee on Statistics. Site table downloaded on December 16, 2018. Available at http://stat.gov.kz.
4. The APZ, which is issued by the local office of the Department of Architecture, includes provisions and requirements that the entrepreneur must take into account while developing the project.
5. Technical conditions indicate the technical aspects of connecting to the utilities, such as the available capacity in that region, points of connections and engineering solutions.
6. The APZ is supposed to be issued within six business days from the time of application. Within this six-day period, the Department of Architecture is supposed to obtain technical conditions from the respective water service provider, which has two business days to turn around the request. This is the deadline that water authorities are having a hard time meeting, and delays at this stage can hold up the issuance of the APZ. This is why builders continue to obtain the technical conditions on their own in all locations except Almaty city.
7. In all locations except Almaty city the Department of Architecture has to send someone on foot to the utility service providers to submit the application for technical conditions and then to pick up the prepared document.
8. The official time limit for the approval of the Eskiz is 10 business days for buildings that are not technically complex and 15 business days for technically complex buildings. In practice, the time to obtain approval of the Eskiz for the warehouse assumed in this study varies from 9 to 15 calendar days across locations.
9. While the confirmation ticket is issued immediately, GASK reviews the documents within one business day, and if authorities discover any inconsistencies, they may recall the ticket. In that case, construction activities must be halted until the issues are fixed.
10. Order No. 135 of the Minister of Investment and Development of the Republic of Kazakhstan dated February 26, 2018 (On Changes and Amendments to Certain Decrees of the Minister of National Economy of the Republic of Kazakhstan), canceled the requirement for GASK to inspect the site before construction, which had been established in construction rules issued in 2015 (Decree No. 750 of the Minister of National Economy).
11. Sending the act of acceptance to GASK and the Department of Architecture is essentially a notification to both agencies that construction works have been completed.
12. The following documents must be submitted to the PSC to register property rights: an application, proof of ownership, payment receipt, identification or legal entity registration certificate and the act of acceptance signed and stamped by GBDRN, GASK and the Department of Architecture.
13. While a law defining risk categories for buildings exists, it has no impact on construction supervision procedures.
14. Based on Order No. 135 of the Minister of Investment and Development dated February 26, 2018 (On Changes and Amendments to Certain Decrees of the Minister of National Economy of the Republic of Kazakhstan), and Order No. 111 of the Minister of National Economy dated March 15, 2018 (On Amendments to Order No. 153 of the Minister of National Economy of the Republic of Kazakhstan).
15. This reform was passed on March 15, 2018 (Order No. 111 of the Ministry of National Economy).
16. The monthly calculation index (MCI) is a value established by law to calculate social benefits as well as penalties, taxes and other charges. It is determined annually during the budgeting process and is based on the expected inflation rate for the next year. One MCI was equivalent to KZT 2,405 ($7.42) in 2018 and to KZT 2,525 ($7.79) in 2019.
17. Based on Order No. 418 of the Minister of Information and Communications dated September 27, 2018 (On Setting Prices on Goods (Services) in the area of State Registration of Property Rights).
18. These nine locations are Aktobe, Almaty region (Taldykorgan), Almaty city, Nur-Sultan, Karagandy, Mangystau, Pavlodar, West Kazakhstan and Zhambyl.
19. Obtaining a technical passport takes 13 days in East Kazakhstan, 14 days in Kostanay and 17 days in Shymkent.
20. The times for obtaining approval of the Eskiz have also gone down in Aktobe (by 3 days), Almaty City (by 2 days) and East Kazakhstan (by 1 day).
21. This takes two days (one day to submit the application and another to pick it up) and costs KZT 4,933 ($15.22). The change was introduced as a result of changes to Law No. 49 on Amendments to Certain Legislative Acts of the Republic of Kazakhstan in Relation to Issues of Improvement of the Civil Law, Banking Law and Improvement of Conditions of Business Activity, as of February 27, 2017, and changes to Article 18 of Law No. 310 ("On government registration of property rights") as of July 26, 2017.
22. The Digital Kazakhstan program is being implemented across the country from 2018 to 2022, and many of the 120 projects are already underway. The program aims to put the economy on a digital path in five key areas: digitalizing the different branches of the economy; providing state services for businesses and individuals online; implementing the Digital Silk Way for the transfer, storage and processing of data; transforming human capital development; and creating an innovative ecosystem. For more information, see https://digitalkz.kz/en/about-the-program/.

23. The state enterprise GosEkspertiza evaluates government-funded projects, projects of high technical complexity and social, transportation and recreational infrastructure construction.
24. World Bank. 2019. *Doing Business 2019: Training for Reform*. Washington, DC: World Bank.
25. World Bank. 2018. *Doing Business 2018: Reforming to Create Jobs*. "Dealing with Construction Permits: Private sector participation in construction regulation." Washington, DC: World Bank.
26. World Bank. 2019. *Doing Business 2019: Training for Reform*.



Getting Electricity

MAIN FINDINGS

- Obtaining a new electricity connection in Kazakhstan is easiest in Almaty city and Mangystau (Aktau) and most difficult in East Kazakhstan (Oskemen) and Karagandy.
- Kazakhstan has made obtaining a new electricity connection easier by eliminating the need to obtain an expert opinion after completion of external works.
- Among the eight locations benchmarked in 2017, Nur-Sultan, Shymkent and Karagandy have made the most progress toward the best regulatory performance in getting electricity.
- The time to obtain a project design and its approval accounts for more than a third of the total time to obtain a new electricity connection.
- Only the cities of Almaty and Nur-Sultan and the Mangystau (Aktau) and Pavlodar regions have automated systems to monitor and restore outages. Other locations could follow suit.

Kazakhstan has made tremendous progress in improving access to electricity over the past few years. In 2015 the economy achieved 100% electrification, bringing electricity within the reach of the entire population.[1] But getting connected to the national grid can still be a cumbersome process, and even after a customer is connected, supply can be unreliable. In 2019 it took over two months for new businesses in Kazakhstan to obtain a new electricity connection, and more than a third of electricity distribution utilities had inadequate monitoring and records on outages.

Yet access to reliable electricity has many benefits for local firms and their economies. It boosts their productivity and competitiveness and promotes broad-based growth across regions. In economies where regional disparities in stable power supply are high, firms may choose to concentrate in locations where electricity disruption is minimal, widening regional inequality.[2] Unreliable power supply may also push firms to cope with more expensive but less productive strategies such as self-generation, increasing production costs and making firms less competitive.[3]

HOW DOES GETTING ELECTRICITY WORK IN KAZAKHSTAN?

Getting electricity in Kazakhstan is governed by the Laws on the Electric Power Industry and the Rules on the Use of Electrical Energy. Under the orders of the Ministry of Energy, several legislative amendments aimed at improving the efficiency and quality of power supply have been made to these laws, most recently in 2017. The laws grant the Committee for Atomic and Energy Supervision and Control the mandate to supervise and regulate the energy market. Private participation in the energy sector has increased in recent years, with private firms controlling over 85% of power generation and distribution. The Electricity Grid Operating Company (KEGOC)—a state-owned company—maintains monopoly over the power transmission system.[4]

Connecting a warehouse to an electricity grid in Kazakhstan involves between six and eight steps, depending on the location (figure 5.1). The first step is to request a connection and obtain technical conditions at the office of the local distribution utility. In Almaty city only, the request for technical conditions can be made online, but most applicants complete the process in person. Next, the distribution utility determines the load demand (in kilowatt-hours, kWh); verifies whether an underground or overhead connection is needed; and determines whether an existing substation can accommodate the requested load or if a new substation must be installed. A technical officer prepares and issues the technical conditions based on these specifications. Technical conditions identify the electricity facilities available

What Does Getting Electricity Measure?

Doing Business records all procedures required for a business to obtain a permanent electricity connection and supply for a standardized warehouse. These procedures include applications and contracts with electricity utilities, all necessary inspections and clearances from the distribution utility and other agencies, and the external and final connection works. To make the data comparable across locations, several assumptions about the warehouse and the electricity connection are used. The location of the warehouse is assumed to be within city limits, the subscribed capacity of the connection 140 kilovolt-amperes (kVA), and the length of the connection 150 meters.

Doing Business also measures how reliable the supply of energy is and how transparent the consumption tariffs are. Its reliability of supply and transparency of tariffs index encompasses quantitative data on the duration and frequency of power outages as well as qualitative information on several aspects: the mechanisms put in place by the utility for monitoring power outages and restoring power supply, the reporting relationship between the utility and the regulator for power outages, the transparency and accessibility of tariffs and whether the utility faces a financial deterrent aimed at limiting outages. The index accounts for one-fourth of the ease of doing business score for getting electricity (see figure). In addition, *Doing Business* records the price of electricity in each location covered.[a]

a. While *Doing Business* records the price of electricity, it does not include these data when calculating the score or the ranking on the ease of getting electricity.

Getting electricity: measuring efficiency, reliability and transparency

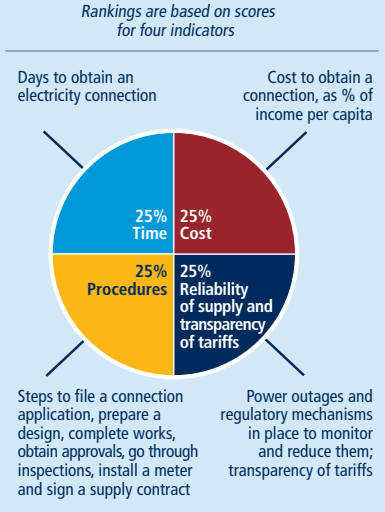
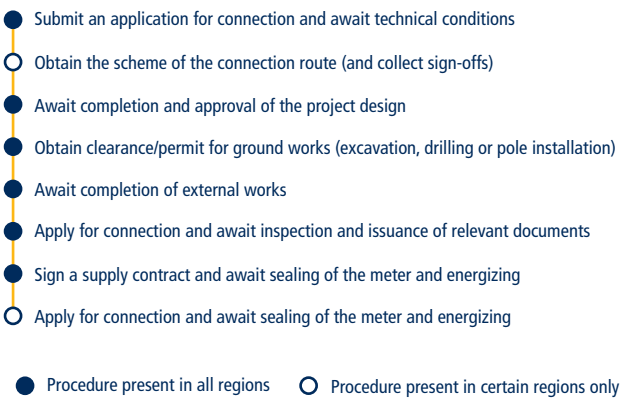


FIGURE 5.1 Obtaining an electricity connection in Kazakhstan takes six to eight procedures



Source: Doing Business database.

in the geographic location and specify the substation and a connection point in the network allocated to the customer.

The next step is the preparation of the connection works, which can be done either by a licensed contractor hired by the entrepreneur or by the utility.[5] However, in Nur-Sultan, Karagandy, East Kazakhstan (Oskemen) and Pavlodar the entrepreneur must obtain a scheme of the connection route from the Department of Architecture or the City Cadastre Center before preparation of the project design. The scheme maps the route of the new connection within the existing communications network, indicating how the planned route crosses or impacts existing utility lines.

The project design maps the route for the external cables and lists the specifications and materials needed for the external works. To ensure that the new cable routes do not interfere with existing utility connections—water and sewage, telephone, gas, heating, roads and electricity—approval of the project design is required from multiple agencies, including the Department of Architecture, the Department of Communal Services, Passenger Transport and Roads (or its equivalent) and other relevant agencies. Usually the licensed contractor completes all approvals on behalf of the client. In Almaty city and North Kazakhstan (Petropavl) the Department of Architecture coordinates the approval process to save time. In Almaty city, for example, an approved copy of the project design is sent through an electronic document flow to all the relevant agencies to complete the approval process.

Next, entrepreneurs obtain an excavation clearance or permit, a process that varies from region to region. In eight locations,[6] applicants submit an online notification to the Administration of State Architectural and Construction Control (GASK), attaching the whole package of documents and approval gathered for the project design. Once GASK has reviewed the file, the applicant receives a confirmation through the same online platform, authorizing the beginning of the external works. In the eight other locations, applicants must apply for an excavation permit in person with the Department of Communal Services, Passenger Transport and Roads (or its equivalent) and await its issuance before external works begin. The issuing agency also provides a list of all the utility agencies that must be physically present to inspect the work during excavation.

Following approval for the excavation clearance, an entrepreneur must hire an external contractor to complete the external works. Distribution utilities that have the license to design the project can also undertake the external works—drilling, digging and installation of poles and a transformer (if required)—although it is common practice to use a third-party contractor to do so. As of January 2017, an expert opinion is no longer required after the completion of external works.[7] The contractor is responsible for the points of the connection allocated to the customer, while the utility company retains responsibility for the rest.

After completion of the external works, the entrepreneur applies to the distribution utility for a connection. The utility sends an inspector to conduct an on-site inspection to verify that the external and internal works have been done according to the technical conditions. The utility grants approval for connection by issuing the act of segregation of electrical grid balance ownership and maintenance—which demarcates ownership and responsibilities for maintenance between the distribution utility and the client on the new connection lines—and the act of meter acceptance, which confirms that the meter complies with applicable standards.

Finally, the applicant signs a contract, in person, with the electricity supplier. The electricity supplier notifies the distribution utility that the sales contract for electricity has been completed. The utility goes to the site to seal and power up the meter. However, in Nur-Sultan the client must file a separate application at a cost of KZT 36,800 ($113.50) for the on-site visit to seal and energize the meter.

How do Kazakhstani regions compare globally?

Getting electricity across regions in Kazakhstan is on average faster and cheaper, though procedurally more complex, than in the average OECD high-income or Europe and Central Asia (ECA) economy. Across Kazakhstan it takes an average of 6.3 procedures and 69 days,

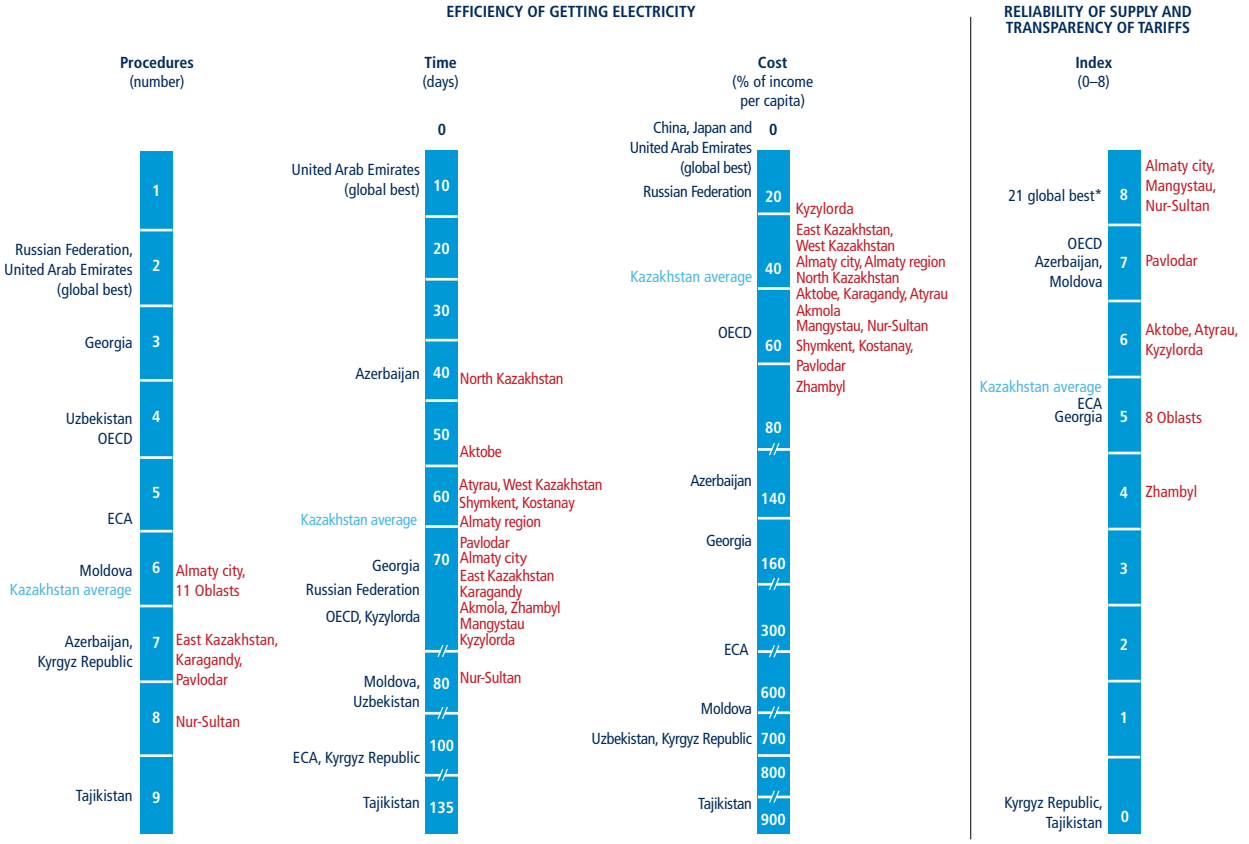
at a cost of 46.7% of income per capita, to obtain an electricity connection (figure 5.2). The average ECA economy takes 50% longer and costs seven times more than the average region in Kazakhstan. However, the process is more cumbersome in Kazakhstan than in the Russian Federation and Uzbekistan, where it takes two and four procedures, respectively. Notably, electricity connection is also eight times cheaper in the Russian Federation than in Kazakhstan.

Despite substantial improvements over the past two years, locations in Kazakhstan still have room to improve the efficiency of the connection process and the quality of electricity services to converge with best regional performers. Kazakhstan's average score of 5.9 out of 8 on the reliability of supply and transparency of tariffs index reflects transparent tariffs and more reliable connections than the average ECA economy (5.5). It surpasses Georgia (5) and Tajikistan (0) and trails the Russian Federation and Uzbekistan (8); both of the latter two economies have instituted an automated mechanism for monitoring and restoring outages.

How the process compares

Obtaining a new electricity connection and accessing reliable power supply is easiest in Almaty city, followed closely by Mangystau (Aktau) (table 5.1). The process requires six procedures in both, and the time and costs are slightly lower in Almaty city (71 days, 39.3% of income per capita) than in Mangysatu (76 days, 46.9%). Almaty city's ease of doing business score of 81.62 on the getting electricity indicator puts it on par with the Netherlands, which ranks 56 among 190 global economies; Mangystau's score of 81.05 puts it between Croatia

FIGURE 5.2 Getting electricity in Kazakhstan is on average faster, cheaper and more reliable but procedurally more complex than the average for Europe and Central Asia



Source: Doing Business database.

OECD = OECD high-income economies.

ECA = Europe and Central Asia.

* The global best on the reliability of supply and transparency of tariffs index are: Czech Republic; Germany; Hong Kong SAR, China; Ireland; Japan; Korea, Rep.; Lithuania; Malaysia; Netherlands; Norway; Portugal; Russian Federation; Slovak Republic; Slovenia; Spain; Sweden; Thailand; United Arab Emirates; United Kingdom; United States–New York; and Uzbekistan.

TABLE 5.1 Getting electricity in Kazakhstan is easiest in Almaty city and Mangystau and most difficult in East Kazakhstan (Oskemen) and Karagandy

Location	Rank	Best regulatory performer	Procedures (number)	Time (days)	Cost (% of income per capita)	Reliability of supply and transparency of tariffs index (0–8)
Almaty city	1	81.62	6	71	39.3	8
Mangystau *(Aktau)*	2	81.05	6	76	46.9	8
Aktobe	3	76.89	6	57	40.1	6
Atyrau	4	76.23	6	63	41.1	6
North Kazakhstan *(Petropavl)*	5	74.96	6	46	39.9	5
Kyzylorda	6	74.64	6	78	27.9	6
Pavlodar	7	74.35	7	70	67.1	7
West Kazakhstan *(Oral)*	8	73.13	6	63	33.7	5
Shymkent	9	72.92	6	64	66.5	5
Kostanay	10	72.81	6	65	66.5	5
Almaty region *(Taldykorgan)*	11	72.46	6	69	39.3	5
Akmola (*Kokshetau*)	12	71.79	6	75	45.0	5
Nur-Sultan	13	71.51	8	87	51.0	8
Zhambyl *(Taraz)*	14	68.59	6	75	70.4	4
East Kazakhstan *(Oskemen)*	15	67.99	7	72	32.6	5
Karagandy	16	67.86	7	73	40.1	5

Source: Doing Business database.

Note: Rankings are based on the average ease of doing business score for the procedures, time and cost associated with getting electricity as well as for the reliability of supply and transparency of tariffs index. The score is normalized to range from 0 to 100, with 100 representing the best regulatory performance (the higher the score, the better).

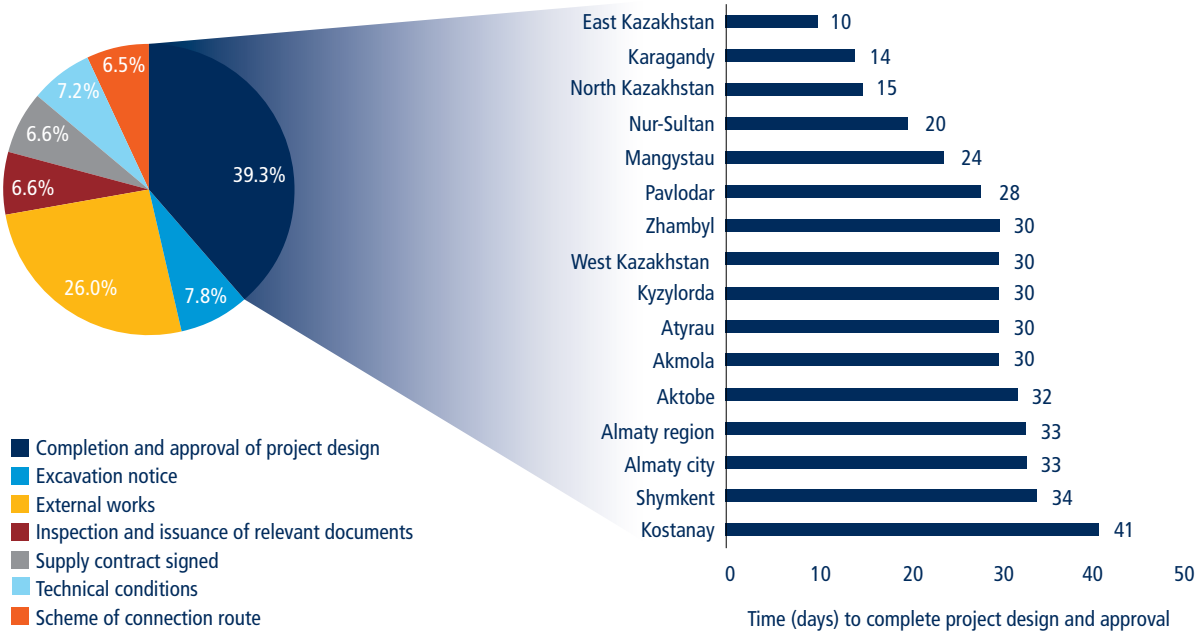
(80.50), which ranks 61, and Turkey (81.23), which ranks 60. These locations outperform their peers for two main reasons. First, Almaty city has streamlined the application process for issuing technical conditions, reducing the number of approvals needed from five to two. Since 2018, only the technical specialist who prepares the technical conditions and the chief engineer are involved in the approval process. This has reduced the time to process technical conditions from seven to five days. In addition, in the past two years Almaty city and Mangystau have improved the reliability of power supply. Almaty city has reduced the frequency of outages, while Mangystau has introduced an automated system for supervisory control and data acquisition (SCADA) to monitor outages and restore power.

Obtaining a new electricity connection takes six procedures in most places in Kazakhstan. The process includes two additional procedures in Nur-Sultan: the requirement to obtain the scheme of the connection route before the project design and the need for a separate application to the distribution utility to energize and seal the meter. In West Kazakhstan (Oral), East Kazakhstan (Oskemen) and Karagandy, where a scheme of the connection route is also required before project design, the process takes seven procedures.

Nur-Sultan also has the country's slowest process for getting electricity, at 87 days; this is on par with Uzbekistan (88 days) and almost twice as long as in North Kazakhstan (Petropavl)—the fastest place in Kazakhstan to complete a new connection. The two additional procedures in Nur-Sultan add two weeks to the total time to obtain a new connection. In North Kazakhstan applicants can complete the project design and obtain all approvals in about two weeks. The same process takes more than a month in Almaty city, the Almaty region (Taldykorgan) and the city of Shymkent.

Project design and approval takes about a third of the total time to complete a new electricity connection and ranges from 10 days in East Kazakhstan (Oskemen) to four times longer in Kostanay (figure 5.3). Improved coordination between GASK offices and other utility agencies and streamlined approvals by the distribution utility make it nearly two weeks faster to obtain project design approvals in East Kazakhstan and North Kazakhstan (Petropavl), than in the average region. In North Kazakhstan, for example, applicants submit the project design for all approvals only at the GASK office, which organizes weekly meetings with representatives from all relevant agencies to approve new projects. Applicants are notified once all approvals are granted. In addition, the distribution utility no longer requires approval of the project design, since its officials visit the site during and after

FIGURE 5.3 Project design and approval account for more than a third of the total time to obtain a connection



Source: Doing Business database.
Note: For Nur-Sultan the extra time to apply for energizing and sealing the meter is added to the time for signing the supply contract.

external works. These simplifications mean that it takes about half the time (15 days) to complete project design and its approval in Petropavl relative to the average of 27 days in the rest of Kazakhstan.

External works account for a quarter (figure 5.3) of the total time to obtain a new electricity connection, ranging from about a week in Kostanay to a month in four regions.[8] Here, the variation depends on the nature and type of connection required. In Kostanay and the city of Shymkent, where this procedure is fastest (five and seven days, respectively), the most common type of connection involves installation of poles that carry overhead cables to low-voltage networks. In Kyzylorda and Mangystau (Aktau), where this procedure takes up to a month, it requires digging and installing underground cables, often to medium-voltage networks.

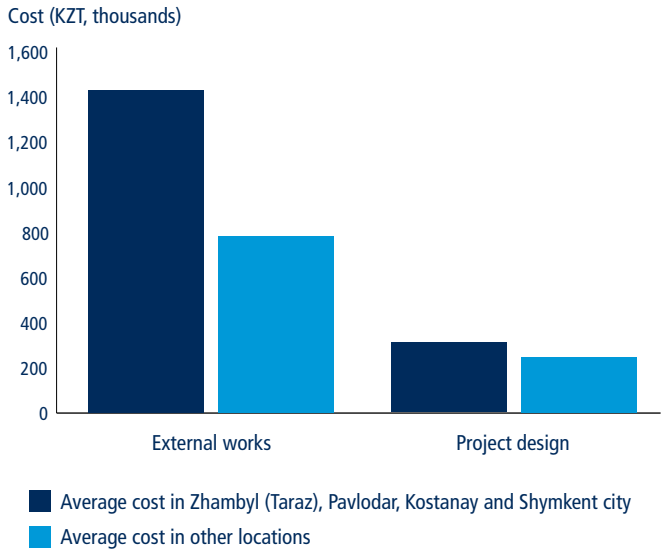
The installation of a transformer is the main driver of costs across Kazakhstan. In four locations where a transformer is often needed for a new connection—Zhambyl (Taraz), Pavlodar, Kostanay and Shymkent—the project design and external works are more complex and expensive. The cost to obtain a new electricity connection is highest in Zhambyl (70.4% of income per capita) and lowest in Kyzylorda (27.9% of income per capita), where the distribution utility (KERCC) carries out external works at a relatively competitive price.[9] The average cost of external works in the four regions where transformers are needed—KZT 1.425 million ($4,396)—is almost double that of the other locations, and the cost of project design—KZT 300,000 ($925)—is about one-third higher (figure 5.4).

The cities of Almaty and Nur-Sultan and the Mangystau region lead the pack on the reliability of supply and transparency of tariffs index, with a score of 8 out of a possible 8, while Zhambyl (Taraz) ranks lowest with a score of 4 (table 5.2). Variations in the quality index across locations are due partly to whether a location has instituted a mechanism for monitoring outages and restoring power, and partly to its score on SAIFI and SAIDI indices. The cities of Almaty and Nur-Sultan as well as the Mangystau and Pavlodar regions have implemented a SCADA system (the acronym stands for supervisory control and data acquisition) and score 1 point each on these components. In Kyzylorda the SCADA monitors only outages. Zhambyl (Taraz) scores 0 on communication of tariffs and tariff changes because it is the only location where customers must visit the local electricity seller to obtain information about tariffs. All locations score points on regulatory monitoring and financial deterrents aimed at limiting outages, as these are enforced at the national level.

WHAT HAS CHANGED?

All eight locations benchmarked in *Doing Business in Kazakhstan 2017* have implemented reforms reducing the time, cost

FIGURE 5.4 The need for a transformer nearly doubles the cost of external works and increases project design costs by a third



Source: Doing Business database.

and complexity to obtain a new electricity connection. In addition, seven (all except Kostanay) have improved the quality and reliability of power supply (table 5.3). New government regulations and policies have been important in fostering change; peer-to-peer learning has also had a role in disseminating good practices. There is evidence that utilities are learning from each other (box 5.1)—including locations that were not benchmarked in the previous study. However, the level of implementation differs across the country.

Among the locations that were benchmarked in 2017, the cities of Nur-Sultan and Shymkent and the Karagandy region have made the most progress toward the best regulatory performance in getting electricity. Nur-Sultan has improved its ease of doing business score for getting electricity by 30.07 points (from 41.44 to 71.51), while Shymkent and Karagandy

TABLE 5.2 All locations have room for improvement in terms of reliability of electricity supply, except for Almaty and Nur-Sultan cities and Mangystau (Aktau)

Location	Reliability of supply and transparency of tariffs index (0–8)	Total duration and frequency of outages per customer per year (0–3)	Mechanisms for monitoring outages (0–1)	Mechanisms for restoring service (0–1)	Regulatory monitoring (0–1)	Financial deterrents aimed at limiting outages (0–1)	Communication of tariffs and tariff changes (0–1)
Almaty city	8	3	1	1	1	1	1
Mangystau *(Aktau)*	8	3	1	1	1	1	1
Nur-Sultan	8	3	1	1	1	1	1
Pavlodar	7	2	1	1	1	1	1
Aktobe	6	3	0	0	1	1	1
Atyrau	6	3	0	0	1	1	1
Kyzylorda	6	2	1	0	1	1	1
North Kazakhstan *(Petropavl)*	5	2	0	0	1	1	1
West Kazakhstan *(Oral)*	5	2	0	0	1	1	1
Shymkent	5	2	0	0	1	1	1
Kostanay	5	2	0	0	1	1	1
Almaty region *(Taldykorgan)*	5	2	0	0	1	1	1
Akmola *(Kokshetau)*	5	2	0	0	1	1	1
East Kazakhstan *(Oskemen)*	5	2	0	0	1	1	1
Karagandy	5	2	0	0	1	1	1
Zhambyl *(Taraz)*	4	2	0	0	1	1	0

Source: Doing Business database. = Maximum points obtained

TABLE 5.3 All eight locations benchmarked in 2016 have made it easier to obtain a new electricity connection in 2018

Location	Made getting electricity easier overall	Reduced the time to obtain a new electricity connection	Reduced the cost to obtain a new electricity connection	Removed a procedure for getting a new electricity connection	Improved the quality and reliability of power supply
Almaty city	✔	✔	✔	✔	✔
Aktobe	✔	✔	✔	✔	✔
Pavlodar	✔	✔	✔	✔	✔
Shymkent	✔	✔	✔	✔	✔
Kostanay	✔	✔	✔	✔	
Nur-Sultan	✔	✔	✔	✔	✔
East Kazakhstan *(Oskemen)*	✔	✔	✔	✔	✔
Karagandy	✔	✔	✔	✔	✔

Source: Doing Business database.
Note: This table records *Doing Business* reforms and changes that occurred between December 2016 and December 2018 for locations that were included in *Doing Business in Kazakhstan 2017*.
✔ = *Doing Business* reform making it easier to obtain a new electricity connection

have improved their scores by 20.71 and 20.48 points, respectively. These locations now score points on the reliability of supply and transparency of tariffs index since they now record and report SAIDI and SAIFI values (figure 5.5).

BOX 5.1 Benefits of peer learning for electricity connection across Kazakhstan

Following the publication of *Doing Business in Kazakhstan 2017*, the Ministry of Energy organized a peer-to-peer learning workshop in Almaty city, gathering officials from major public and private distribution utilities and suppliers. The aim was to provide a forum for all regions to discuss how to efficiently implement reforms that had been introduced by the ministry, and give power supply and distribution companies an opportunity to discuss and share good practices.

Almaty city explained its new online system to apply for technical conditions and its plan to streamline the approval process. Officials from the Ministry of Energy stressed the need for utilities to address requests for electricity electronically. Utilities also discussed how the implementation of an electronic map of utility connections in each region could help simplify and expedite project design and approvals.

Following the event, representatives from some utilities said that learning from Almaty city's good practices had helped them implement improvements. After hearing about Almaty city's one-stop shop experience, Petropavl implemented a similar customer center where applicants can obtain all necessary information and apply for technical conditions in one place. Petropavl is considering the possibility of moving the process online, and Nur-Sultan city and the Almaty region (Taldykorgan) plan to do the same. In addition, Shymkent, East Kazakhstan (Oskemen) and North Kazakhstan (Petropavl) reduced the number of internal approvals required to issue technical conditions from five to two, to meet new legislative amendments. These locations have also simplified the approval process for project design and reduced the time to issue technical conditions in line with new legislative requirements.[a]

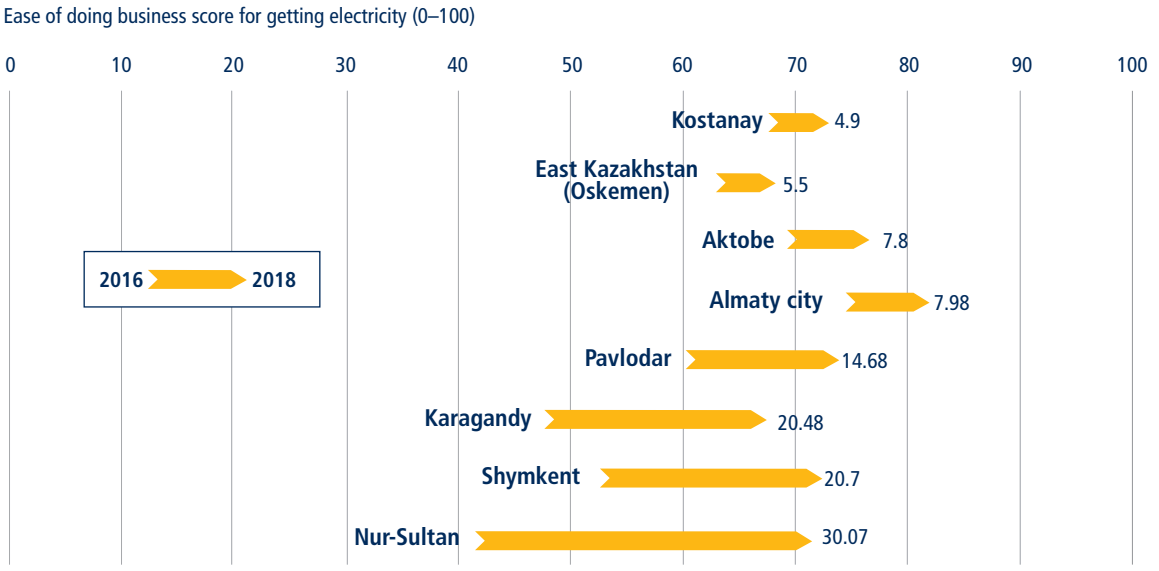
Such events are a testament to how coordination between regulators and the private sector and peer-learning events can bolster reforms. It turns out that changes can happen faster and cheaper when cities and regions pool resources and share successful practices.

a. Interview with public officials during right of reply in the cities of Nur-Sultan and Almaty on November 26, 2018, and November 29, 2018.

Locations have made progress on three key fronts—eliminating the need to provide an expert opinion on external works, streamlining the requirement to obtain technical conditions and improving the reliability of power supply by collecting and publishing SAIDI and SAIFI data.

At the national level, Kazakhstan eliminated the need to provide an expert opinion after completion of external works. Previously, applicants had to hire a private company to assess whether the external works met the standards specified in the technical conditions—a set of approved design and construction rules referred to by the Russian acronym SNiP. It took on average 3.6 days and cost KZT 87,500 ($464) to fulfill this mandatory requirement in 2015. Yet the procedure was redundant because distribution utilities often visited the site to conduct an inspection and ensure that all technical and construction requirements were met. Moreover, while external works are conducted by licensed and certified experts (engineers with Access Group Certification 3 and 4), who are also legally liable for latent defects, those providing expert opinions were not required to have any specialized qualification or license. Today, clients and private experts hired to do the work are responsible for meeting quality standards, and distribution utilities inspect the work to ensure

FIGURE 5.5 Nur-Sultan, Shymkent and Karagandy advanced the most toward the best regulatory performance in getting electricity since 2016



Source: Doing Business database.

Note: Rankings are based on the average ease of doing business score for the procedures, time and cost associated with getting electricity as well as for the reliability of supply and transparency of tariffs index. The score is normalized to range from 0 to 100, with 100 representing the best regulatory performance (the higher the score, the better).

that all approved standards have been met. This has reduced the number of procedures, cost and time to obtain a new electricity connection.

Kazakhstan has also streamlined the process required to obtain technical conditions. In 2017 the Committee for Atomic and Energy Supervision and Control implemented reforms that mandated utilities to issue and approve technical conditions in at most five days for a connection with 200 kWh or less.[10] To enforce these requirements, the committee now requires utilities to submit monthly data on the time used to process technical conditions, and a fine of 25 MCI[11] is imposed on utilities that exceed the five-day limit. To stay within the time limit, utilities have streamlined the approval process for technical conditions. Such is the case in Almaty city, where the number of officials handling approvals went from five to only two, cutting the time to process technical conditions from seven to five days. Across the locations benchmarked in *Doing Business in Kazakhstan 2017*, the average time to obtain technical conditions has dropped by about two days.

Other locations have followed suit. In Pavlodar applicants can request technical conditions by sending the documents required by email. Original documents are submitted at the time of pickup of the technical conditions—saving an additional trip for the process and reducing the time by two days, in line with the required five days. In Petropavl (not included in the 2017 study) the distribution utility established a one-stop shop for customers in 2016 and introduced an electronic document management system which allows the chief engineer to track the process in real time. Automated alerts and reminders are issued when the time allotted for processing the documents at each stage has passed. Kostanay has done the same. Across the eight locations measured in the previous study, these simplifications have reduced the time to process technical conditions by an average of two days.

Reforms are not confined to improving the efficiency of the connection process. Positive changes have also taken place to improve the reliability of supply and transparency of tariffs. All regions and the cities of Almaty, Nur-Sultan and Shymkent now record and disclose data on the frequency and duration of outages—SAIDI and SAIFI. Since 2016 utilities have been required to provide this data to the Committee for Atomic and Energy Supervision and Control by end-January of each year. They are fined 125 MCI if SAIDI and SAIFI numbers exceed four hours and four incidents, respectively. In 2015 only four locations out of the eight benchmarked in *Doing Business in Kazakhstan 2017* kept records on outages. In 2018 all 16 locations benchmarked kept information on outages, thanks to new regulations of April 2016 that made

it mandatory for all utilities to supply these records.[12] In addition, average duration and frequency of outages have gone down by 0.9 hours and 0.5 incidents for locations that recorded these numbers in 2015.[13] In 2015 only the cities of Nur-Sultan and Almaty had instituted an automated mechanism for monitoring and restoring outages. They were joined in 2018 by Mangystau (Aktau) and Pavlodar. Northern Kazakhstan (Petropavl) is currently in the process of establishing one. Similarly, in 2015 only Almaty city faced a fine from the regulator if outages exceeded a certain limit. Since 2017 the Committee for Atomic and Energy Supervision and Control imposes a fine of 125 MCI on any electric utility when outages exceed a certain cap. For locations benchmarked in the previous study, the average reliability of supply and transparency of tariffs index has gone up by 1 point (from 5.2 to 6.2). Pavlodar made the most progress among the eight locations—improving its index by 3 points (from 4 in 2016 to 7 in 2018).

WHAT CAN BE IMPROVED

Further streamline and enforce rules on excavation permits

In 2016 Kazakhstan introduced new legislation to improve the process of obtaining an excavation permit.[14] The law required the private contractor tasked with the excavation permit to request a clearance from GASK before commencing external works. In 2018 only five regions and the city of Almaty commonly used an online platform to obtain an excavation permit.[15] For those locations, applicants file for a permit online and receive a notification of receipt through the same platform. This notification serves as a formal clearance to begin external works. At the back office GASK simply notifies the relevant agencies of the location and time of the planned work without the applicant's involvement. It takes on average four days to obtain the notification receipt from GASK once an application is submitted online.

In the other locations applicants continue to apply for the excavation permit in person from GASK and either the Department of Communal Services, Passenger Transport and Roads or the Department of Public Utility Services.[16] An applicant must visit the relevant agency twice: first to submit all required documents in person, and second to pick up the excavation permit. In Pavlodar and Nur-Sultan the process is even more cumbersome, as the entrepreneur must collect sign-offs from multiple utilities before submitting it to the Department of Communal Services, Passenger Transport and Road, which issues the permit. In Nur-Sultan this process takes 20 days, mainly due to the requirement for multiple sign-offs as well as the volume of applications received by the municipality for all external works.

The rest of Kazakhstan could follow the example of Almaty city and five other locations that have moved from a permit-based process to an online clearance system. Doing so could reduce the time to obtain an excavation clearance by two days. GASK could also improve its back-office processes to speed up clearance issuance and encourage all locations to shift from physical permits to an electronic clearance. Better yet, Kazakhstan could follow the example of Poland and the Islamic Republic of Iran and have the utility obtain the excavation clearance directly from GASK without involving the customer. In 2015 the Islamic Republic of Iran eliminated the need for the customer to obtain an excavation permit for electricity connection by having the utility obtain it directly. Poland did the same in 2017 by eliminating the need to have an excavation permit altogether. Officials of the utility and municipality are present during excavation to ensure that external works are done in accordance with required standards and regulations.

One way to streamline the process would be to merge the approval of project design with the one for excavation clearance or permit. Since applicants already go to GASK to request the list of agencies that need to approve the project design, GASK could simply issue the excavation clearance at the same time. The good news is that current amendments introduced in 2018 already aim to achieve this. However, in practice the change has not simplified the process to obtain the excavation clearance, as the law still requires a separate interaction between the installation contractor and GASK officials. To simplify the process GASK could issue the clearance automatically without requiring a separate application—either online or physically at the office—to obtain the clearance or permit. This would eliminate a procedure and reduce the time required to obtain a new electricity connection.

Streamline the approval process for project design

One of the major bottlenecks in the process of obtaining electricity in Kazakhstan continues to be the delays associated with the approval of project design. In most locations this requires approval from at least seven agencies.[17] Two interactions with GASK are also required during approval—first to submit the project design and obtain the list of agencies for which approval is required, and second to return the list to GASK after all approvals are obtained. Private sector professionals argue that approval time accounts for half of the time to complete this procedure.

Here Kazakhstan can learn good practices from within. In the short term one way to simplify the process would be to follow the example of North Kazakhstan (Petropavl), where simultaneous approvals are obtained in weekly meetings coordinated by GASK with all agencies involved. This cuts the time almost in half, from an average of 27 days to two weeks to complete project design and obtain all approvals. Locations could also set specific timelines for approval of project designs, and dedicated employees could be assigned to ensure that the approval process complies with the required timelines. This could reduce

approval time for project design and help identify where bottlenecks occur in the approval process.

In the long term municipalities should consider the possibility of merging utility maps so that approval requests for project design can be assessed and obtained from a single agency, such as GASK. Officials in the private sector argue that one major reason why applicants visit various utilities for approval is that utility maps—which show the connection route of different utilities (water and sewage, heating, telecommunications and electricity) in each location—are not linked. Another example of streamlining the process can be found in Moscow, where United Electric Grid Company (MOESK) coordinates all the approvals required for project design and external works without involving the applicant. Customers can track the status of their application after every stage and receive a notification by text message when the process is complete. Consequently, these simplifications have cut the time to obtain an electricity connection by 10 days.

Consider eliminating the requirement for the scheme of connection route where applicable

After the approval of technical conditions, in Nur-Sultan city, East Kazakhstan, Karagandy and Pavlodar the customer needs to obtain a scheme mapping the route of the new connection within the existing communications network, indicating how the planned route will impact other utility lines. This requirement adds an extra procedure, an average of 18 days and an average cost of KZT 41,667 ($221). Entrepreneurs in East Kazakhstan and Karagandy must obtain approval from the various utilities on the scheme of the connection route before project design can begin; consequently, it takes 26 and 25 days, respectively, to complete the scheme of connection and obtain approval.

In the short term these locations can learn good practices from their peers. In other regions and the city of Almaty, a project is designed based on information provided in the technical conditions. The design includes a cable scheme that sketches the planned route for the power lines on a topographical map of the warehouse—rather than requiring a separate procedure. Since utilities approve the project design in these locations, the validity of the sketched route and its impact on the existing utility infrastructure can be ascertained as part of the approval before external works begin. This change will eliminate the extra costs, time and procedures associated with this procedure in these locations.

In the long term, through coordination with the municipalities, GASK and all utility agencies involved, the distribution utility could issue the scheme of connection route together with the technical conditions, eliminating this procedure and the associated time and cost. Here too Kazakhstan can learn from other economies in the region. In 2016 Azerbaijan streamlined the process of obtaining a new electricity connection by making electronic connection maps available, which reduced the time needed to determine new customer connection points.

Streamline workflow and interaction between distribution utilities and suppliers

After external works are completed, energizing the connection is usually a two-step process: the customer first needs to apply for inspection from the distribution utility and then sign a final connection contract with the seller after the inspection. It takes 4.3 days on average to complete the process of signing a supply contract and 5 days to apply for and await inspection of the external works. Nur-Sultan requires an extra procedure after signing a contract with the seller; the applicant goes back to the utility to make a final application for connection. This extra procedure takes four days and costs KZT 36,800 ($114). There is an additional cost of KZT 17,900 ($55) for the utility to conduct an inspection in Nur-Sultan. In North Kazakhstan (Petropavl) inspections cost KZT 20,000 ($62).

Kazakhstan could benefit by streamlining communication and coordination between the distribution supplier and the seller for energizing the connection. After completion of external works, applicants could apply for final connection with the supplier at the same time they apply for inspection with the distribution utility. At the back office the seller and distribution utility could coordinate to energize the connection and issue the necessary documents without the applicant making separate trips to the two agencies. In Austria and Germany, for example, customers submit only one application to get a connection contract, and all agencies involved coordinate with each other to issue the necessary documentation and switch on the power supply.

Create more incentives to improve transparency and reliability of power supply across all locations

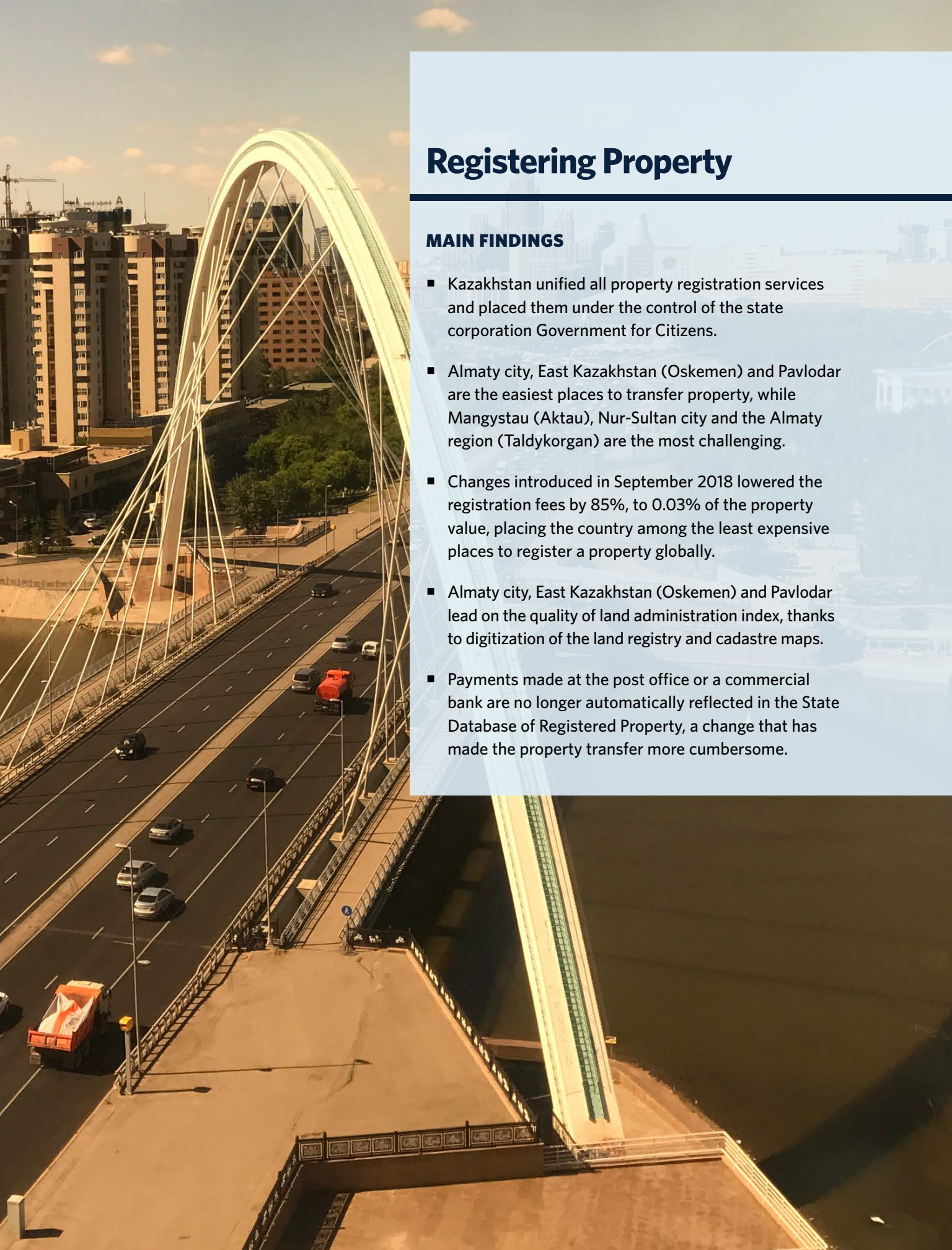
Kazakhstan has made significant progress in improving the reliability of power supply over the past two years. In 2016 the government established caps on the frequency and duration of outages and fines on utilities that exceed the cap. Three locations—Almaty city, Nur-Sultan and Mangystau (Aktau)—implemented the SCADA systems that automatically detect outages and restore power. This has improved the reliability of power supply in these locations. The rest of the regions could be encouraged to follow suit.

Locations with SCADA should also be encouraged to broaden their coverage. In Nur-Sultan city and Mangystau the SCADA system does not cover the utility companies' entire zone of operations. Out of the 57 substations managed by the major distribution utility (AESK) in Mangystau, only 52 percent are covered by its SCADA system. Expanding

infrastructure that improves reliability of power supply should be a priority. In the short term this will entail significant upfront investment and a feasibility study, especially in small regions. In the medium to long term, however, utilities could make the installation of monitoring systems part of their planned medium-term capital expenditures, to help improve the quality and reliability of power supply.

NOTES

1. World Development Indicators, World Bank, Washington DC, 2016.
2. Scott, Andrew, Emily Darko, Alberto Lemma and Juan-Pablo Rud. 2014. How does electricity insecurity affect businesses in low and middle-income countries? *Shaping Policy for Development*. Overseas Development InstituteAvailable at https://pdfs.semanticscholar.org/175d/e67543567755030f926239016167f9386646.pdf.
3. Fisher-Vanden, Karen, Erin T. Mansur and Qiong Juliana Wang. "Electricity shortages and firm productivity: Evidence from China's industrial firms." *Journal of Development Economics* 114 (2015): 172-188.
4. Mills, Deborah, and Ben Howard, Burlingtons Legal LLP. 2014. "Electricity regulation in Kazakhstan: Overview." *Thomson Reuters Practical Law*. Available at https://content.next.westlaw.com/Document/I234956c0d58d11e398db8b09b4f043e0/View/FullText.html?contextData=(sc.Default)&transitionType=Default&firstPage=true&bhcp=1.
5. The "Yellow Pages Law" limits the function of state-owned enterprises in activities where the private sector is deemed efficient, including external connection design. In some locations a privately owned utility designs the external works.
6. Akmola (Kokshetau), Almaty city, Almaty region (Taldykorgan), Kyzylorda, Mangystau (Aktau), North Kazakhstan (Petropavl), West Kazakhstan (Oral) and Zhambyl (Taraz).
7. Article 22 of the Amendments to the Rules of Energy from the Ministry of Energy issued on December 8, 2016.
8. Akmola (Kokshetau), Kyzylorda, Mangystau (Aktau) and Zhambyl (Taraz).
9. Working with the European Bank for Reconstruction and Development (EBRD) to modernize its electricity infrastructure in the Kyzylorda region, Kyzylorda Distribution Electric Grid Company (KRECC) provides excavation and external works installation at a lower cost. See https://kapital.kz/economic/31692/elektroseti-kyzylordinskoj-oblasti-moderniziruyut.html.
10. Amendment to the Rules of Energy Use. Order No. 143.
11. The monthly calculation index (MCI) is a value established by law to calculate social benefits as well as penalties, taxes and other charges. It is determined annually during the budgeting process and is based on the expected inflation rate for the next year. One MCI was equivalent to KZT 2,405 ($7.42) in 2018 and to KZT 2,525 ($7.79) in 2019.
12. The new regulations were in amendments to the Laws on the Electric Power Industry and the Code of Administrative Offenses. Order No. 214 of the Ministry of Energy on Approving Indicators of Energy Supply Stability and Rules of Definition.
13. The locations that recorded duration and frequency of outages in 2015 were Almaty city, Aktobe, East Kazakhstan (Oskemen), Kostanay and Pavlodar.
14. Decree of the Government of the Republic of Kazakhstan No. 901, dated December 2016.
15. An online platform is used in West Kazakhstan (Oral), North Kazakhstan (Petropavl), Mangystau (Aktau), Kyzylorda and Atyrau.
16. Applicants go to the Department of Communal Services Passenger Transport and Roads in Aktobe, East Kazakhstan (Oskemen), Karagandy and Pavlodar, and to the Department of Public Utility Services in Akmola (Kokshetau), the Almaty region (Taldykorgan) and Zhambyl (Taraz).
17. The seven agencies are the Department of Architecture; Department of Communal Services, Passenger Transport and Roads; the distribution utility; and utilities in charge of gas, water, heating and telecommunications.



Registering Property

MAIN FINDINGS

- Kazakhstan unified all property registration services and placed them under the control of the state corporation Government for Citizens.
- Almaty city, East Kazakhstan (Oskemen) and Pavlodar are the easiest places to transfer property, while Mangystau (Aktau), Nur-Sultan city and the Almaty region (Taldykorgan) are the most challenging.
- Changes introduced in September 2018 lowered the registration fees by 85%, to 0.03% of the property value, placing the country among the least expensive places to register a property globally.
- Almaty city, East Kazakhstan (Oskemen) and Pavlodar lead on the quality of land administration index, thanks to digitization of the land registry and cadastre maps.
- Payments made at the post office or a commercial bank are no longer automatically reflected in the State Database of Registered Property, a change that has made the property transfer more cumbersome.

Small and medium-size enterprises (SMEs) in Kazakhstan suffer from insufficient access to finance. A 2013 study found that firms in Kazakhstan identified access to finance as one of the top five obstacles for the business environment, after applicable tax rates, education level of workers, competitors' practices in the informal sector and corruption.[1] The same study revealed that in the last five years more than a third of loan applications by SMEs had been rejected. In the same period local banks have doubled the value of collateral needed to get a loan, which now must cover 170% of the loan amount. Getting finance is most difficult in the regions outside the large business centers of Almaty city and the city of Nur-Sultan.[2] Land, an important source of wealth, could facilitate access to credit for SMEs when used as collateral. But to use real estate as security an entrepreneur must be able to prove ownership by a legally recognized land title. Secure land rights not only ease access to credit but also encourage investment and can increase tax revenue collection. Evidence shows that firms and individuals invest more in economies with secure land rights.[3] Take the case of Argentina. When land titles were granted to households with unregistered lands, investment in existing properties went up by 40%.[4] Reliable land registries and cadastres also allow governments to more easily assess properties and collect tax revenues.

Kazakhstan has been strengthening property rights and improving its land administration system since 2013. It has instituted electronic registration of property and created Public Service Centers (PSCs) under the state corporation Government for Citizens. These efforts have paid off. They have helped decrease the time and cost of obtaining property documents and increased the transparency of the process. Six years ago a company purchasing land had to go through a 40-day process before registering a property; now it takes an average of 4.7 days. Kazakhstan has moved up 6 places in the *Doing Business* ranking on the registering property indicators since 2013, placing it among the top 25 economies in the world.

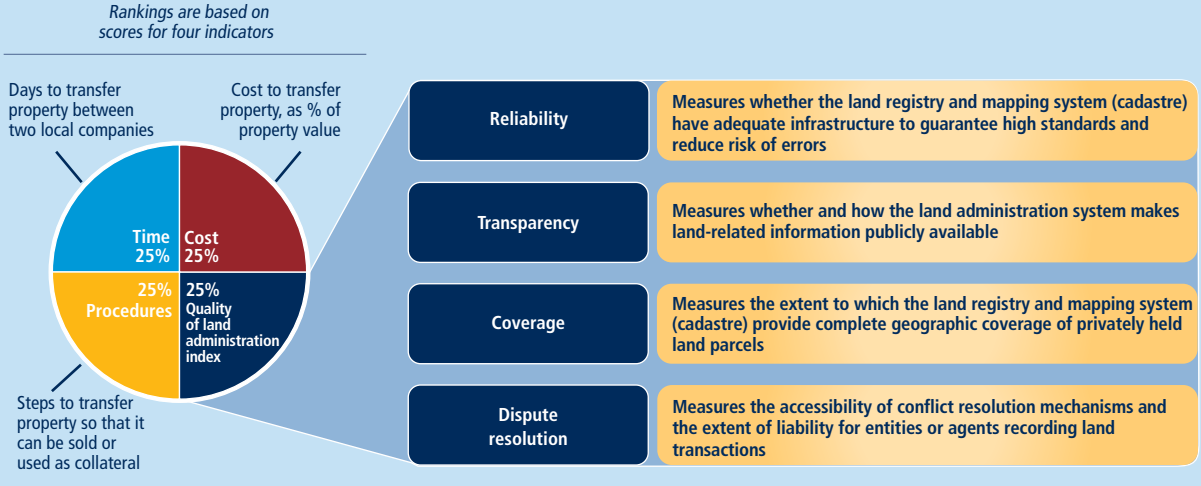
HOW DOES PROPERTY REGISTRATION WORK IN KAZAKHSTAN?

As of 2018[5] Government for Citizens has the authority over property transfers in Kazakhstan (box 6.1). Registering

What Does Registering Property Measure?

Doing Business records the full sequence of procedures necessary for a business to purchase a property from another business and formally transfer the property title to the buyer's name. The process starts with obtaining the required documents, such as a copy of the seller's title, and ends when the buyer is registered as the new property owner. Every procedure required by law or necessary in practice is recorded—along with the associated time and cost—whether it is the responsibility of the seller or the buyer and even if it must be completed by a third party on their behalf. In addition, *Doing Business* assesses the quality of the land administration system through indices measuring reliability, transparency, coverage and the availability of dispute resolution mechanisms. Rankings on the ease of registering property are based on the procedures, time and cost to register property as well as the quality of land administration index (see figure).

Registering property: measuring the efficiency and quality of the land administration system



BOX 6.1 Land administration framework in Kazakhstan

In April 2016 Kazakhstan created the state corporation Government for Citizens,[a] which consolidates various offices and operates as a one-stop shop for more than 750 public services. On July 30, 2018, the mandate for the registration of property was transferred from the Department of Justice (the local arm of the Ministry of Justice) to Government for Citizens, a move that placed all government land administration services under the single umbrella. However, the Department of Justice has retained oversight functions over property registration, such as monitoring violations of stipulated deadlines.

Local PSCs act as a front office for Government for Citizens, receiving applications from individuals and enterprises. Separately from the PSCs, Government for Citizens maintains back offices that perform cadastral and land registry services.

The organization of the land registry and cadastre differs between locations. In cities with special status—Almaty, Nur-Sultan and Shymkent—land registries and cadastres are separate agencies: the Administration for Land Registry, which conducts property registration, and the Administration for Cadastre, which maintains plans, measures plots and conducts soil surveys. In the other locations, land registries and cadastres merged into the local Department of Cadastre and Registration of Rights on Immovable Property.

The change of property registration authority from the Department of Justice to Government for Citizens entails moving land registry employees and records to the latter's premises. All current land registry employees have now been transferred to the Government for Citizens payroll. In some locations, such as Nur-Sultan city, both the records and the employees have also been physically transferred to the premises of Government for Citizens, which facilitates the process of verifying parties' signatures during the property transfer process initiated at the PSC. In others, such as Kostanay, Zhambyl (Taraz) or Almaty city, the front and back offices of Government for Citizens are still in different buildings.[b]

The next step is to consolidate the administration of all land services to create a unified cadastre under the Digital Kazakhstan program.[c] The country aims to merge two databases: the State Database of Registered Property (GBDRN) and the Automated Information System of the State Cadastre and Technical Support (AISGZK). The unified cadastre is expected to be fully operational in 2021.

a. Government for Citizens is a noncommercial joint stock company created through the merger of four state-owned enterprises: the Public Service Center of the Ministry of Investment and Development; the Real Estate Center of the Ministry of Justice; the Scientific and Production Center of the Land Cadastre under the Ministry of National Economy; and the State Center of Pension Payments of the Ministry of Health and Social Development.
b. Data provided by public officials interviewed during meetings with the *Doing Business* team.
c. The Digital Kazakhstan website is https://digitalkz.kz/en/.

property requires four main steps (figure 6.1). Parties can choose to use the services of a notary or register property themselves through a Public Service Center. Most transactions for citizens are recorded at a PSC, but businesses like the ones covered in the *Doing Business* case study more often use a notary.

First, the notary conducts due diligence to confirm that the property does not have any encumbrances, liens or other attachments that could prevent the sale. Notaries can obtain relevant information using the Unified Notary Information System (ENIS),[6] which provides access to the State Database of Registered Property (GBDRN) and the State Database of Legal Entities. The notary confirms the identity of the parties' representatives against ENIS by ensuring that they are authorized to conduct the transaction on behalf of the company. To do so, the notary checks the parties' identification cards, the company charter, the company resolution allowing the sale, the power of attorney empowering the buyer and seller to act, and the original title.

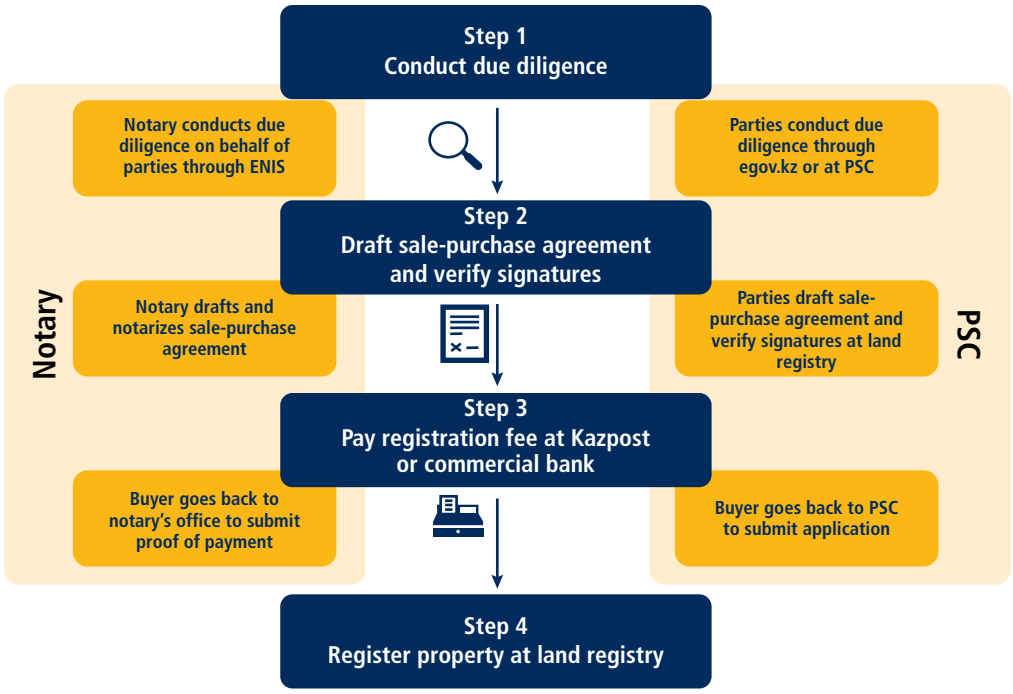
Second, the notary submits the duly notarized sale-purchase agreement electronically through ENIS, which generates an invoice with the state registration fees that the buyer must pay. A unique identification number on the invoice ties the payment to the application processed through ENIS.

The buyer must leave the notary's office to pay the fees at the post office (Kazpost) or a commercial bank. Although the law governing the registration of property allows bank card payments through the e-government portal (egov), businesses like the ones covered in the *Doing Business* study pay exclusively through bank transfers.

In practice, bank cards are used mostly by individuals and large corporations.[7] Despite the recent change in the authorized body overseeing the registration process, the current payment system does not yet recognize Government for Citizens as a payment recipient. To complete the payment made through Kazpost or a commercial bank, the notary must submit the buyer's proof of payment through ENIS, together with the application certified by the notary's digital signature. Only then is payment reflected in the property database.[8]

Finally, for the property transfer to be completed, a registration officer at the land registry needs to verify the application submitted by the notary and confirm the validity of the transfer. The notary

FIGURE 6.1 The main stages of property registration are the same across Kazakhstan



Source: Doing Business database.

receives the final documents and shares them with the new owner. The registration must be completed within one day of the date following the application's submission to Government for Citizens.[9]

Another way to register a property transfer is to submit a paper-based application at a Public Service Center. Parties involved in the transaction first check the property themselves for encumbrances, either through egov or in person at the local PSC, at no cost. Once they have completed the due diligence and have drafted the sale-purchase agreement, the parties go to the land registry to verify the signatures, including the identity of the parties, their legal capacities and the free expression of their will to transfer the property. The buyer then visits the PSC to submit the application after he or she has paid the state registration fees at Kazpost or at a commercial bank. A courier takes the application from the PSC to the land registry for processing. The land registry has three days to complete the registration. Once the process is completed, the parties receive a text message notifying them that the registration documents are ready for pick-up at the PSC.

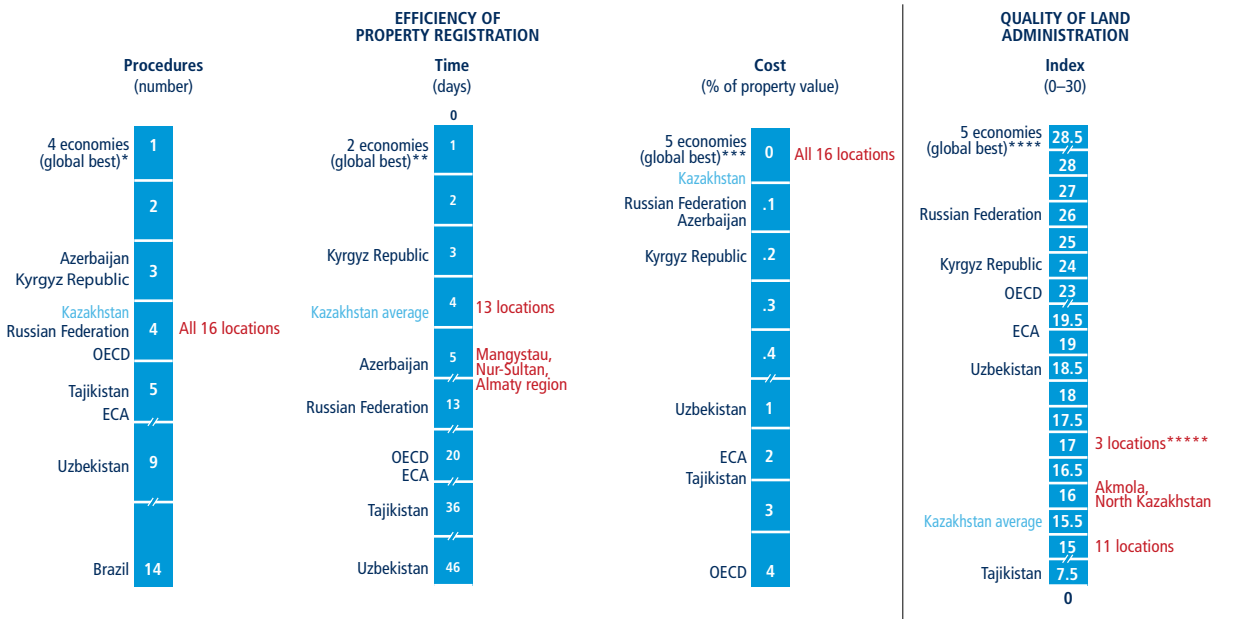
How the process compares

A property transfer across the 16 locations benchmarked takes on average four procedures and 4.7 days, at a cost of 0.03% of the property value (figure 6.2). The process is less complex in Kazakhstan than in OECD high-income economies, on average, or economies from the Europe and Central Asia region (ECA), where the process takes 4.7 and 5.3 procedures, respectively. Transferring property is also four times faster in Kazakhstan than in the average OECD high-income economy. However, the process is more cumbersome (albeit less expensive) than in the Kyrgyz Republic, where it takes three procedures and 3.5 days, at a cost of 0.2% of the property value. Kazakhstan is one of the least expensive locations globally for registering property, coming in at number 6.

Locations across Kazakhstan vary little on the registering property indicators (table 6.1). Eleven locations score 15 points on the quality of land administration index, while the others score only moderately higher. Property registration takes slightly longer in Mangystau (Aktau), Nur-Sultan city and the Almaty region (Taldykorgan), where registration documents are sent back to notaries two days after their submission—instead of one day in all other locations.

One reason for exceeding the stipulated deadline could be the workload of registration specialists. In the Almaty region (Taldykorgan), Nur-Sultan city and Mangystau (Aktau), the rate of applications processed per registration specialist

FIGURE 6.2 Kazakhstan locations score high on the efficiency of property registration but show room for improvement on the quality of land administration



Source: Doing Business database.
Note: OECD is the average for the 33 OECD high-income economies; ECA is the average for the 23 economies of Europe and Central Asia.
* These are Georgia, Norway, Portugal and Sweden.
** These are Georgia and New Zealand.
*** These are Belarus, Georgia, Kiribati, Saudi Arabia and the Slovak Republic.
**** These are Lithuania; Rwanda; Singapore; Taiwan, China; and the Netherlands.
***** These are Almaty city, East Kazakhstan (Oskemen) and Pavlodar.

TABLE 6.1 Registering property in Kazakhstan—where is it easier?

Location	Rank	Ease of doing business score (0–100)	Procedures (number)	Time (days)	Cost (% of property value)	Quality of land administration index (0–30)
Almaty city	1	82.44	4	4.5	0.03	17
Pavlodar	1	82.44	4	4.5	0.03	17
East Kazakhstan *(Oskemen)*	1	82.44	4	4.5	0.03	17
Akmola *(Kokshetau)*	4	81.61	4	4.5	0.03	16
North Kazakhstan *(Petropavl)*	4	81.61	4	4.5	0.03	16
West Kazakhstan (Oral)	6	80.77	4	4.5	0.03	15
Aktobe	6	80.77	4	4.5	0.03	15
Shymkent	6	80.77	4	4.5	0.03	15
Atyrau	6	80.77	4	4.5	0.03	15
Karagandy	6	80.77	4	4.5	0.03	15
Kostanay	6	80.77	4	4.5	0.03	15
Kyzylorda	6	80.77	4	4.5	0.03	15
Zhambyl *(Taraz)*	6	80.77	4	4.5	0.03	15
Mangystau *(Aktau)*	14	80.65	4	5.5	0.03	15
Nur-Sultan	14	80.65	4	5.5	0.03	15
Almaty region *(Taldykorgan)*	14	80.65	4	5.5	0.03	15

Source: Doing Business database.
Note: Rankings are based on the ease of doing business score for registering property indicators.

is a third higher than in the remaining 13 locations—430 applications on average per month, compared with 321 elsewhere (figure 6.3).[10]

Entrepreneurs in all the locations measured must follow the same four steps and pay the same amount to transfer property. The cost of registering property is the same everywhere, since the relevant fees are regulated nationally. Transferring property between two legal entities costs only 0.03% of the property value. This cost includes notary fees to draft and notarize the sale-purchase agreement and to initiate the transfer,[11] both of which are linked to the value of the monthly calculation index (MCI).[12] Notary fees represent more than 90% of the overall cost to register property in Kazakhstan (figure 6.4). The registration cost also includes fixed state registration fees of KZT 3,221 ($9.93).[13]

Quality of land administration

While procedural complexity, time and cost of property registration all matter for doing business, good land administration goes beyond efficiency. It ensures property owners a secure title, backed by a reliable land administration system. A transparent, complete and secure land administration system is associated with greater access to credit, lower income inequality and lower incidence of bribery at the land registry.[14]

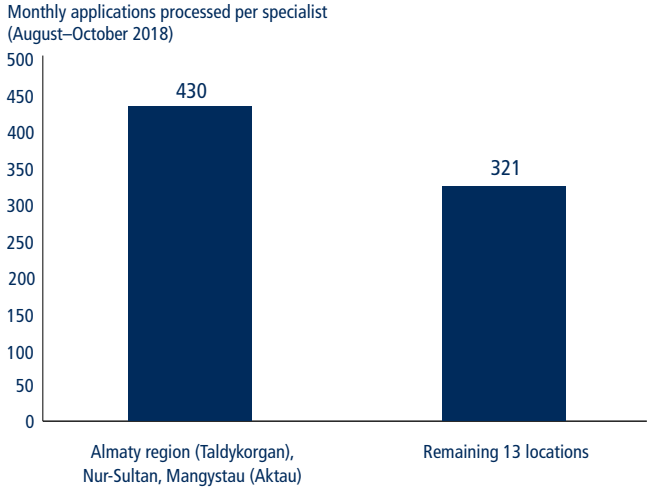
The *Doing Business* methodology analyzes the quality of land administration systems. This is done through four main dimensions: reliability of infrastructure (0 to 8 points), geographic coverage (0 to 8), transparency of information (0 to 6) and land dispute resolution (0 to 8). The sum of these dimensions provides the overall score on the quality of land administration index.

Kazakhstan's score on this index reveals ample room to converge with international good practices. The cities and regions measured score between 15 and 17 out of 30 possible points on the quality index, placing them close to the 40th percentile globally, on par with South Africa (15 points) and Romania (17 points). Kazakhstan lags behind the OECD high-income average (23 points) and that of the Russian Federation (26 points) but scores more than twice as high as Tajikistan (7.5 points).

Differences in quality of land administration across locations in Kazakhstan are found in the type of infrastructure used to keep titles and plans, measured by the reliability of infrastructure index (figure 6.5). Only three locations keep land registry titles in scanned format: Almaty city, East Kazakhstan (Oskemen) and Pavlodar. As of July 2018, Oskemen had more than 95% of scanned titles in archives, having started scanning in 2012. However, throughout the rest of East Kazakhstan most titles are still kept in paper format.[15] The main reason for this discrepancy is that the process of scanning requires significant financial resources, special equipment and devices to print bar codes and store images, and in East Kazakhstan these were provided only to Oskemen. Other locations also initiated the process of scanning titles but still have not completed it. Karagandy and Zhambyl (Taraz) started scanning their records in 2007 and 2013, respectively, while Kyzylorda initiated the process in 2009 and has scanned 35% of the titles so far.

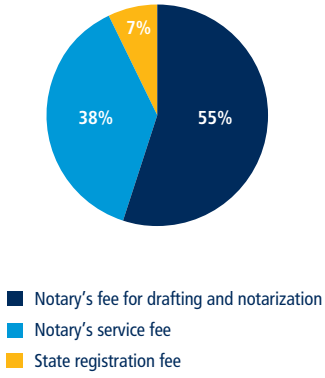
In terms of cadastral plans, only five locations—Almaty city, East Kazakhstan (Oskemen), Akmola (Kokshetau), Pavlodar and North Kazakhstan (Petropavl)—keep them in scanned format; the other 11 keep them in paper form. Only Almaty city, East Kazakhstan (Oskemen) and Pavlodar keep both titles and plans in scanned format,

FIGURE 6.3 Officials in the Almaty region (Taldykorgan), Nur-Sultan city and Mangystau process one-third more applications than in the other locations



Source: Doing Business database.

FIGURE 6.4 Notary fees make up more than 90% of the cost to register property in Kazakhstan



Source: Doing Business database.

FIGURE 6.5 There is room to improve on the reliability of infrastructure index

		Almaty city, East Kazakhstan (Oskemen), Pavlodar	Akmola (Kokshetau), North Kazakhstan	11 locations
Reliability of Infrastructure index (0–8 points)		6	5	4
How are land titles kept?	Paper form		○	○
	Computer / Scanned	●		
	Computer / Fully digital			
Electronic database for checking for encumbrances?	Yes	●	●	●
	No			
How are the map plans kept?	Paper form			○
	Computer / Scanned	●	●	
	Computer / Fully digital			
Electronic database for providing cadastral information?	Yes	●	●	●
	No			
Information stored in a single database?	Separate databases			
	Different databases but linked	●	●	●
	Single database			
Same identification number for properties?	Yes	●	●	●
	No			

○ No points ● Full point * Two points

Source: Doing Business database.

which accounts for their higher score on reliability of infrastructure. Other aspects of this index show no variations between locations.

The push to scan land records comes from the national government, which decides on the timeline and allocates resources accordingly. The scanning process started in 2007, when Kazakhstan had 6 million land plots to scan. One third of them remained to be scanned as of December 2018. The government aims to have 100% of records scanned by 2021. Budgets are allocated according to the volume of the backlog; hence the biggest share of budgets goes to locations with the largest number of unscanned records.

Making land-related information publicly available—including fee schedules and time limits for service delivery—provides parties with critical information on the transactions they undertake and reduces mistakes and opportunities for bribery. All locations score 3.5 out of 6 points on the transparency of information index. The list of documents required for property registration and the fees for both the property transaction and access to plans are published online for the whole country on different websites. However, information on land ownership is still not publicly accessible.

Geographic coverage of property registration and cadastral systems remains the biggest challenge for Kazakhstan. All locations receive 0 out of 8 possible points on this index. The cadastral coverage for the country is 87.8% and varies from one region to another. Not a single location covered by this study achieves full coverage.[16] The main reasons are untimely action by land owners registering the land and a failure to enforce the Code of Administrative Offenses. Land registration is mandatory, but owners do not always register their land, or they may delay in doing so. As a result, not all privately held land plots are formally registered and mapped.[17]

With 7.5 points out of a possible 8 for land dispute resolution, Kazakhstan places among the top 20 economies in the world on this indicator. Local courts in Kazakhstan resolve land dispute claims in less than a year, for which the country scores the maximum 3 points. Recent reforms introduced the concept of state guarantee for property registration, which places Kazakhstan among the best performers globally on the land dispute resolution index.

WHAT HAS CHANGED SINCE 2016?

The main change since 2016 was the transfer of responsibility for property-related services from the Department of Justice to Government for Citizens, through Public Service Centers. All government bodies dealing with land administration now operate under the umbrella of a single institution—Government for Citizens. This has the potential to streamline the property registration process, as the land registry and the cadastre now are under same umbrella as the entity that receives the applications.

However, the change in agency has also created a new difficulty in the property registration process. Payments made at Kazpost or a commercial bank are not automatically reflected in the GBDRN, as Government for Citizens is not recognized as a payment recipient. As a result, parties must return to the notary's office to submit proof of payment. This has increased the number of procedures for property transfer from three to four, affecting the parties across all benchmarked locations. In November 2018 the Ministry of Justice initiated a project to link Kazpost with the ENIS system, which will eventually allow the parties to pay fees through ENIS, directly at the notary's office. The payment will be immediately reflected in the GBDRN.[18]

Another notable change was to abolish the expedited procedure for a paper-based application to register a property transfer. The expedited procedure cost three times the regular procedure and had the same one-day deadline that now applies only to online applications submitted via a notary.[19] The plan is to reduce the processing time for property transfer registrations submitted in person at PSCs from the current three days to one day. Relevant changes in law governing property registration have been introduced but not yet implemented. For this to happen, the state agencies involved must issue new time standards that will make the one-day procedure the sole available deadline for responding to paper-based applications.

Fixed registration fees were introduced in September 2018, lowering the registration fees by 85%. Prior to the reform, the state registration fee was stipulated by the Tax Code and linked to the monthly calculation index. The reform sets out fixed fees, regardless of the value of the MCI, which reduces the cost from KZT 21,210 ($65.43) to KZT 3,221 ($9.94).

Kazakhstan has also made information more transparent since 2016. The cadastre information system now publishes the fee schedule for cadastral plans on its website.[20]

WHAT CAN BE IMPROVED?

Improve transparency and accountability in the land administration system

A functioning land administration system rests on clear and credible information. Countries with transparent land administration systems provide more efficient services and enjoy stronger public confidence in the system, which leads to increased investment. Kazakhstan improved transparency of information, but it could do more. For example, the time frame to deliver an updated cadastral plan is not available online. For the full benefits of cadastral transparency, authorities could consider posting such information online and making it free to access.

Kazakhstan lacks a specific, separate mechanism for filing complaints with the cadastre. The country could create an independent complaint mechanism for issues related to plans and maps. The Government for Citizens website[21] could serve as a platform and incorporate the same approach as with the property registration complaint mechanism. This website could host a portal that would allow clients to submit complaints, comments and recommendations concerning all types of cadastral activities.

Kazakhstan could also strengthen the transparency of property rights. Information on the ownership of property is restricted, as it can be obtained only with the owner's permission. Making property ownership information open to the public would enable potential investors to review relevant data before deciding on investment. Here Kazakhstan could look to England and Wales, where the land registry database is publicly accessible by law. All title plans, land registers and any relevant deeds or documents are available online through the land registry's website. The land registry also developed an application for a "citizen-friendly view" of registered titles.[22]

In November 2018 Kazakhstan started to publish statistics tracking the number of property transactions online; however, they are on two separate websites.[23] Authorities could consider establishing a single website containing all land-related information for both the land registry and the cadastre. The recent integration of the land registry and the cadastre under the umbrella of Government for Citizens, as well as the ongoing project of a unified cadastre, could facilitate this endeavor.

Strengthen the reliability of the land administration infrastructure by continuing the digitization of titles and cadastral maps

Kazakhstan could continue to increase the level of computerization of its land registry and cadastral archives. The goal should be to gradually develop a fully digital, unified cadastre and property registry. Locations covered in this study score unevenly on this portion. Even locations within the same regions keep their titles and maps in different forms. Digitization of land-related archives improves the quality of documents and makes land registration procedures faster and more efficient.[24] Kazakhstan could

look to Denmark, which in 2009 began a process to modernize its land registry by digitizing and automating property registration. Once digitization was complete, the land registry introduced electronic lodgment of property transfers. As a result, over five years the time to transfer a property dropped from 42 to 4 days.

Promote Public Service Centers for property registration

Most of the businesses covered in this study register property through notaries. However, reforms that have been initiated or are being planned could favor applications through the PSCs. Kazakhstan has already initiated steps to reduce deadlines for registrations through the PSC to one day. Moreover, the ongoing pilot project in East Kazakhstan allows land registry employees to go to the local PSC and verify the signatures.[25] Registration fees could also be paid at commercial banks or Kazpost counters located on the premises of the PSC; that way, the parties would not need to go to the land registry for verification of signatures or leave the PSC to pay the fees. To make the PSC the preferred option for property registration, thus reducing the cost for entrepreneurs, Kazakhstan could upgrade egov and include some features of ENIS, such as the ability to receive the registration document in the personal account of the company representative or individual entrepreneur. This would circumvent the current need to go to the local PSC and personally pick up the registration document.

Expand geographic coverage

Research shows that less than 25% of economies have all land plots registered and mapped; this shortfall contributes to insecurity regarding parties' interests.[26] Full geographic coverage is achieved when all privately held lands are registered and mapped and the information is readily available to the parties.[27] As the cadastral coverage for the country is nearly 90%, Kazakhstan should focus its efforts on mapping the remaining land lots and registering buildings and other premises. Kazakhstan could look to Thailand, which between 1984 and 2004 implemented one of the world's largest land titling programs, using efficient, systematic land titling procedures and issuing more than 8.5 million titles.

NOTES

1. Enterprise Survey database (http://www.enterprisesurveys.org/data/exploreeconomies/2013/kazakhstan), World Bank.
2. European Bank for Reconstruction and Development (EBRD). "Strategy for Kazakhstan." Available at: https://www.ebrd.com/where-we-are/kazakhstan/overview.html.
3. Demirguc-Kunt, Asli, and Vojislav Maksimovic. 1998. "Law, Finance, and Firm Growth." *The Journal of Finance* 53 (6): 2107-2137.
4. Galiani, Sebastian, and Ernesto Schargrodsky. 2010. "Property Rights for the Poor: Effects of Land Titling." *Journal of Public Economics* 94 (9-10): 700-729.
5. See Article 79, paragraph 1, of the Law of the Republic of Kazakhstan on Changes and Amendments to Certain Legislative Acts of the Republic of Kazakhstan on Improving Regulation of Entrepreneurial Activity, May 24, 2018, available at https://online.zakon.kz/Document/?doc_id=36227306#pos=3;-254; Article 1, paragraph 27, of the Law of the Republic of Kazakhstan on State Registration of Rights to Immovable Property (No. 310-III), July 26, 2007, available at https://online.zakon.kz/Document/?doc_id=30118294#pos=4;-250.
6. For more on the ENIS portal, see its website at http://enis.kz/.
7. Payment through the e-government portal requires possession of a bank card. SMEs covered in this study do not hold corporate bank cards and instead pay the fees via bank transfers.
8. Public sector contributors from Almaty city reported that proof of payment can be submitted to the notary's personal ENIS account without going back to the notary's office.
9. See Article 23, paragraph 1, of the Law of the Republic of Kazakhstan on State Registration of Rights to Immovable Property (No. 310-III), July 26, 2007, available at: https://online.zakon.kz/Document/?doc_id=30118294#pos=4;-250.
10. Number of applications per region for August, September and October 2018 available at https://gov4c.kz/ru/gosuslugi/doing-business/registraciya-sobstvennosti/. Number of registration specialists per region provided by representative of Government for Citizens in the city of Nur-Sultan.
11. The fee for notarial acts is regulated by Article 536 of the Code of the Republic of Kazakhstan on Taxes and Other Obligatory Payments into the Budget (Tax Code), No. 99-IV of December 10, 2008, available at http://adilet.zan.kz/rus/docs/K080000099. The fee for legal and technical services is regulated by Article 30-1 of the Law of the Republic of Kazakhstan on Notaries (No. 155-I) of July 14, 1997, available at https://online.zakon.kz/document/?doc_id=1008028#pos=3;-250.
12. The monthly calculation index (MCI) is a value established by law to calculate social benefits as well as penalties, taxes and other charges. It is determined annually during the budgeting process and is based on the expected inflation rate for the next year. One MCI was equivalent to KZT 2,405 ($7.42) in 2018.
13. These fees include the fee for registration of land in the amount of KZT 1,073.70 ($3.31) and the fee for registration of the building in the amount of KZT 2,147.30 ($6.62). The fees are regulated by Order No. 418 of the Minister of Information and Communication of the Republic of Kazakhstan of September 27, 2018, available at http://zan.gov.kz/client/#!/doc/125074/rus.
14. World Bank. 2014. *Doing Business: Going Beyond Efficiency*. "Registering property: Measuring the quality of land administration systems." Washington, DC: World Bank.
15. Oskemen has 207,739 titles, of which 198,000 have been scanned. Data provided by public officials interviewed during meetings with the *Doing Business* team.
16. For cadastral coverage in different regions, see http://aisgzk.kz/aisgzk/ru/content/transfer/.
17. Article 460 of the Code of Administrative Offenses of Kazakhstan establishes that citizens who fail to register their land are subject to administrative penalties. The city of Kyzylorda conducted a land tenure legalization process from 2007 to 2010, relying on the landowners to provide information. However, the Land Registry found that the information provided was off by 5 to 7%. When the Land Registry identifies a discrepancy, it informs the municipality (Akimat), which is responsible for resolving the issue in court. Data provided by Kyzylorda public officials interviewed by the *Doing Business* team.
18. Data provided by public officials from Nur-Sultan city interviewed by the *Doing Business* team.
19. Article 23, paragraph 3, of the Law of the Republic of Kazakhstan on State Registration of Rights to Immovable Property (No. 310-III), July 26, 2007, available at: https://online.zakon.kz/Document/?doc_id=30118294#pos=4;-250.
20. The cadastre information system website address is http://www.aisgzk.kz/aisgzk/ru/.
21. The Government for Citizens website address is https://gov4c.kz/ru/.
22. Hilhorst, Thea, and Frederic Meunier, eds. 2015. *How Innovations in Land Administration Reform Improve on Doing Business: Cases from Lithuania, the Republic of Korea, Rwanda and the United Kingdom*. Washington, DC: World Bank.
23. The two websites for tracking property statistics in Kazakhstan are https://gov4c.kz/ru/gosuslugi/doing-business/registraciya-sobstvennosti/ and https://open-almaty.kz/ru/nao-pravitelstvo-dlya-grazhdan.

24. Wehrmann, Babette. 2010. "Governance and Land Tenure in Eastern Europe and Commonwealth of Independent States (CIS)." Land Tenure Working Paper 16. Rome: Food and Agriculture Organization.
25. Data provided by public officials from East Kazakhstan interviewed during meetings with the *Doing Business* team.
26. Deininger, Klaus, Harris Selod and Anthony Burns. 2012. *The Land Governance Assessment Framework: Identifying and Monitoring Good Practice in the Land Sector*. Washington, DC: World Bank.
27. UNECE (United Nations Economic Commission for Europe). 2012. *Policy Framework for Sustainable Real Estate Markets: Principles and Guidance for the Development of a Country's Real Estate Sector*. Geneva: UNECE.

Data Notes

The indicators presented and analyzed in *Doing Business in Kazakhstan 2019* measure business regulation and the protection of property rights as well as their effect on businesses, especially small and medium-size domestic firms. First, the indicators document the complexity of regulation, such as the number of procedures to start a business or to register a transfer of commercial property. Second, they gauge the time and cost to achieve a regulatory goal or comply with regulation, such as the time and cost to connect a warehouse to the electricity grid. Third, they measure the extent of legal protections, for example, the protections of property rights.

This report presents *Doing Business* indicators for 16 Kazakhstani locations. The data for all sets of indicators in *Doing Business in Kazakhstan 2019* are current as of December 15, 2018. The data for the 189 other economies used for comparison are based on the indicators in *Doing Business 2019: Training for Reform*, the 16th in a series of annual reports published by the World Bank Group.

METHODOLOGY

The data for *Doing Business in Kazakhstan 2019* were collected in a standardized way. To start, the team customized the *Doing Business* questionnaires for the specific study in Kazakhstan. The questionnaires use a simple business case to ensure comparability across locations and economies and over time—with assumptions about the legal form of the business, its size, its location and the nature of its operations. Questionnaires were administered to local experts, including lawyers, business consultants, architects, engineers, public officials and other professionals routinely administering or advising on legal and regulatory requirements. These experts had several rounds of interaction with the project team, involving conference calls, written correspondence and visits by the team. The data from questionnaires were subjected to numerous rounds of verification, leading to revisions or expansions of the information collected.

The *Doing Business* methodology offers several advantages. It is transparent, using factual information about what laws and regulations say and allowing multiple interactions with local respondents to clarify potential misinterpretations of questions. Having representative samples of respondents is not an issue; *Doing Business* is not a statistical survey, and the texts of the relevant laws and

Economy characteristics

Gross national income per capita

Doing Business in Kazakhstan 2019 relies on 2017 income per capita data as published in the *World Bank's World Development Indicators 2018*. Income is calculated using the Atlas method (in current U.S. dollars). For cost indicators expressed as a percentage of income per capita, 2017 gross national income (GNI) per capita in current U.S. dollars is used as the denominator. Kazakhstan's income per capita for 2017 is $7,890 (KZT 2,557,775).

Region and income group

Doing Business uses the World Bank regional and income group classifications, available at http://data.worldbank.org/about/country-and-lending-groups. Regional averages presented in figures and tables in *Doing Business in Kazakhstan 2019* include economies from all income groups (low, lower middle, upper middle and high income).

Exchange rate

The exchange rate for the U.S. dollar used in *Doing Business in Kazakhstan 2019* is as follows: USD 1 = 324.18 Kazakhstani tenge (KZT).

regulations are collected and answers checked for accuracy. The methodology is easily replicable, so data can be collected in a large sample of locations and economies. Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across locations. Finally, the data not only highlight the extent of specific regulatory obstacles to business but also identify their source and point to what might be reformed.

LIMITS TO WHAT IS MEASURED

The *Doing Business* methodology has four limitations that should be considered when interpreting the data. First, the data often focus on a specific business form—generally a limited liability company (or its legal equivalent) of a specified size—and may not be representative of the regulation on other businesses (for example, sole proprietorships). Second, transactions described in a standardized case scenario refer to a specific set of issues and may not represent the full set of issues that a business encounters. Third, the measures of time involve an element of judgment by the expert respondents. When sources indicate different estimates, the time indicators reported in Doing Business represent the median values of several responses given under the assumptions of the standardized case.

Finally, the methodology assumes that a business has full information on what is required and does not waste time when completing procedures. In practice, completing a procedure may take longer if the business lacks information or is unable to follow up promptly. Alternatively, the business may choose to disregard some burdensome procedures. For both reasons the time delays reported in *Doing Business* would differ from the recollection of entrepreneurs reported in the World Bank Enterprise Surveys or other firm-level surveys.

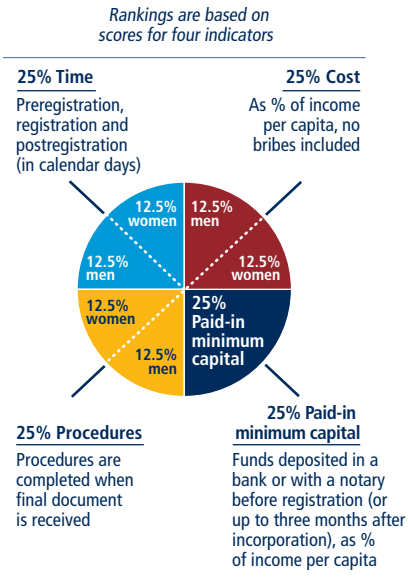
STARTING A BUSINESS

Doing Business records all procedures officially required, or commonly done in practice, for an entrepreneur to start up and formally operate an industrial or commercial business, as well as the time and cost to complete these procedures and the paid-in minimum capital requirement (figure 7.1). These procedures include the processes entrepreneurs undergo when obtaining all necessary approvals, licenses and permits and completing any required notifications, verifications or inscriptions for the company and employees with relevant authorities.

The ranking of locations on the ease of starting a business is determined by sorting their scores for starting a business. These scores are the simple average of the scores for each of the component indicators (figure 7.2).

After a study of laws, regulations and publicly available information on business entry, a detailed list of procedures is developed, along with the time and cost to comply with each procedure under normal circumstances and the paid-in minimum capital requirement. Subsequently, local incorporation lawyers, notaries and government officials complete and verify the data.

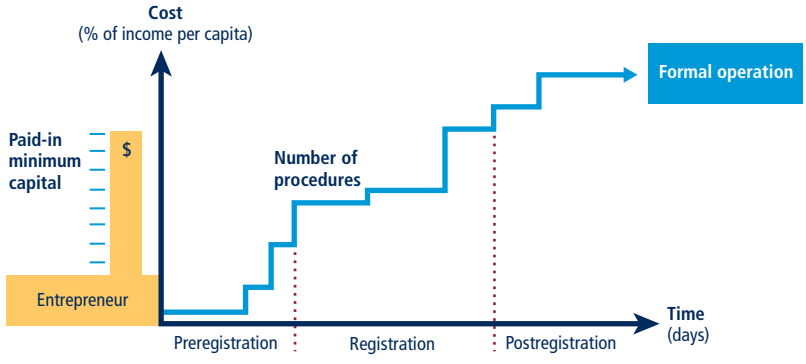
FIGURE 7.2 Starting a business: getting a local limited liability company up and running



Information is also collected on the sequence in which procedures are to be completed and whether procedures may be carried out simultaneously. It is assumed that any required information is readily available and that the entrepreneur will pay no bribes. If answers by local experts differ, inquiries continue until the data are reconciled.

To make the data comparable across locations, several assumptions about the businesses and the procedures are used.

FIGURE 7.1 What are the time, cost, paid-in minimum capital and number of procedures to get a local limited liability company up and running?



Assumptions about the business

The business:

- Is a limited liability company (or its legal equivalent). If there is more than one type of limited liability company in the economy, the limited liability form most common among domestic firms is chosen. Information on the most common form is obtained from incorporation lawyers or the statistical office.
- Operates in the selected location.
- Is 100% domestically owned and has five owners, none of whom is a legal entity.
- Has start-up capital of 10 times income per capita.
- Performs general industrial or commercial activities, such as the production or sale to the public of products or services. The business does not perform foreign trade activities and does not handle products subject to a special tax regime, for example, liquor or tobacco. It is not using heavily polluting production processes.
- Leases the commercial plant or offices and is not a proprietor of real estate. The amount of the annual lease for the office space is equivalent to one income per capita. The size of the entire office space is approximately 929 square meters (10,000 square feet).
- Does not qualify for investment incentives or any special benefits.
- Has at least 10 and up to 50 employees one month after the commencement of operations, all of them domestic nationals.
- Has a turnover of at least 100 times income per capita.
- Has a company deed 10 pages long.

The owners:

- Have reached the legal age of majority and are capable of making decisions as an adult. If there is no legal age of majority, they are assumed to be 30 years old.
- Are sane, competent and in good health and have no criminal record.
- Are married and their marriages are monogamous and registered with the authorities.

Procedures

A procedure is defined as any interaction of the company founders with external parties (for example, government agencies, lawyers, auditors or notaries) or spouses (if legally required). Interactions between company founders or company officers and employees are not counted as procedures. Procedures that must be completed in the same building but in different offices or at different counters are counted as separate procedures. If founders have to visit the same office several times for different sequential procedures, each is counted separately. The founders are assumed to complete all procedures themselves, without middlemen, facilitators, accountants or lawyers, unless the use of such a third party is mandated by law or solicited by the majority of entrepreneurs. If the services of professionals are required, procedures conducted by such professionals on behalf of the company are counted as separate procedures. Each electronic procedure is counted as a separate procedure. Both pre- and postincorporation procedures that are officially required or commonly done in practice for an entrepreneur to formally operate a business are recorded (table 7.1).

Procedures required for official correspondence or transactions with public agencies are also included. For example, if a company seal or stamp is required on official documents, such as tax declarations, obtaining the seal or stamp is counted. Similarly, if a company must open a bank account in order to complete any subsequent procedure—such as registering for value added tax or showing proof of minimum capital deposit—this transaction is included as a procedure. Shortcuts are counted only if they fulfill four criteria: they are legal, they are available to the general public, they are used by the majority of companies, and avoiding them causes delays.

Only procedures required of all businesses are covered. Industry-specific procedures are excluded. For example, procedures to comply with environmental regulations are included only when they apply to all businesses conducting general commercial or industrial activities. Procedures that the company undergoes to connect to electricity, water, gas or waste disposal services are not included in the starting a business indicators.

TABLE 7.1 What do the starting a business indicators measure?

Procedures to legally start and formally operate a company (number)
Preregistration (for example, name verification or reservation, notarization)
Registration in the selected location
Postregistration (for example, social security registration, company seal)
Obtaining approval from spouse to start a business or to leave the home to register the company
Obtaining any gender specific document for company registration and operation or national identification card
Time required to complete each procedure (calendar days)
Does not include time spent gathering information
Each procedure starts on a separate day (two procedures cannot start on the same day)—though procedures that can be fully completed online are an exception to this rule
Registration process considered completed once final incorporation document is received or company can officially start operating
No prior contact with officials takes place
Cost required to complete each procedure (% of income per capita)
Official costs only, no bribes
No professional fees unless services required by law or commonly used in practice
Paid-in minimum capital (% of income per capita)
Funds deposited in a bank or with a notary before registration (or up to three months after incorporation)

Time

Time is recorded in calendar days. The measure captures the median duration that incorporation lawyers or notaries indicate is necessary in practice to complete a procedure with minimum follow-up with government agencies and no unofficial payments.

It is assumed that the minimum time required for each procedure is one day, except for procedures that can be fully completed online, for which the time required is recorded as half a day. Although procedures may take place simultaneously, they cannot start on the same day (that is, simultaneous procedures start on consecutive days), again with the exception of procedures that can be fully completed online. A registration process is considered completed once the company has received the final incorporation document or can officially commence business operations. If a procedure can be accelerated legally for an additional cost, the fastest procedure is chosen if that option is more beneficial to the location's score. It is assumed that the entrepreneur does not waste time and commits to completing each remaining procedure without delay. The time that the entrepreneur spends on gathering information is not taken into account. It is assumed that the entrepreneur is aware of all entry requirements and their sequence from the beginning but has had no prior contact with any of the officials involved.

Cost

Cost is recorded as a percentage of the economy's income per capita. It includes all official fees and fees for legal or professional services if such services are required by law or commonly used in practice. Fees for purchasing and legalizing company books are included if these transactions are required by law. Although value added tax registration can be counted as a separate procedure, value added tax is not part of the incorporation cost. The company law, the commercial code, and specific regulations and fee schedules are used as sources for calculating costs. In the absence of fee schedules, a government officer's estimate is taken as an official source. In the absence of a government officer's estimate, estimates by incorporation lawyers are used. If several incorporation experts provide different estimates, the median reported value is applied. In all cases the cost excludes bribes.

Paid-in minimum capital

The paid-in minimum capital requirement reflects the amount that the entrepreneur needs to deposit in a bank or with a third party (for example, a notary) before registration or up to three months after incorporation. It is recorded as a percentage of the economy's income per capita. The amount is typically specified in the commercial code or the company law. The legal provision needs to be adopted, enforced and fully implemented. Any legal limitation of the company's operations or decisions related to the payment of the minimum capital requirement is recorded. In case the legal minimum capital is provided per share, it is multiplied by the number of shareholders owning the company. Many economies require minimum capital but allow businesses to pay only a part of it before registration, with the rest to be paid after the first year of operation. In El Salvador in May 2018, for example, the minimum capital requirement was $2,000, of which 5% needed to be paid before registration. Therefore, the paid-in minimum capital recorded for El Salvador is $100, or 2.7% of income per capita.

REFORMS

The starting a business indicator set tracks changes related to the ease of incorporating and operating a limited liability company since the last benchmarked study in 2017. Depending on the impact on the data, certain changes are classified as reforms in order to acknowledge the implementation of significant changes. Reforms are divided into two types: those that make it easier to do business and those changes that make it more difficult to do business. The starting a business indicator set uses one criterion to recognize a reform.

The aggregate gap on the overall score of the indicator set is used to assess the impact of data changes. Any data update that leads to a change of 2% or more on the score gap is classified as a reform (for more details, see the chapter on "About *Doing Business* and *Doing Business in Kazakhstan 2019*"). For example, if the implementation of a new one-stop shop for company registration reduces time and procedures in a way that the overall gap decreases by 2% or more, the change is classified as a reform. On the contrary, minor fee updates or other small changes in the indicators that have an aggregate impact of less than 2% on the gap are not classified as a reform, but the data are updated accordingly.

This methodology was developed by Djankov and others (2002) and is adopted here with minor changes. The data details on starting a business can be found at http://www.doingbusiness.org.

DEALING WITH CONSTRUCTION PERMITS

Doing Business records all procedures required for a business in the construction industry to build a warehouse, along with the time and cost to complete each procedure. In addition, *Doing Business* compiles the building quality control index, evaluating the quality of building regulations, the strength of quality control and safety mechanisms, liability and insurance regimes, and professional certification requirements. Information is collected through a questionnaire administered to experts in construction licensing, including architects, civil engineers, construction lawyers, construction firms, utility service providers and public officials who deal with building regulations, including approvals, permit issuance and inspections.

The ranking of locations on the ease of dealing with construction permits is determined by sorting their scores for dealing with construction permits. These scores are the simple average of the scores for each of the component indicators (figure 7.3).

FIGURE 7.3 Dealing with construction permits: efficiency and quality of building regulation

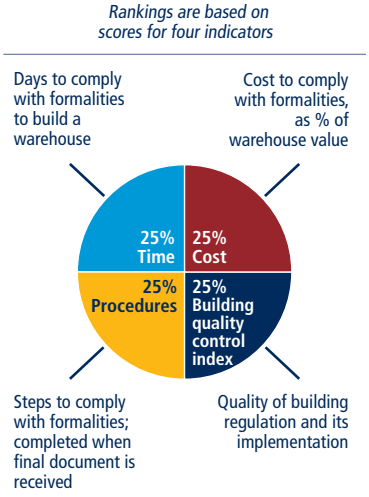
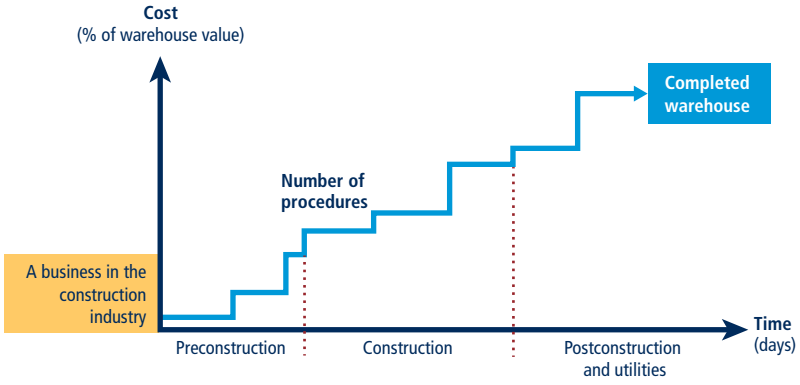


FIGURE 7.4 What are the time, cost and number of procedures to comply with formalities to build a warehouse?



EFFICIENCY OF CONSTRUCTION PERMITTING

Doing Business divides the process of building a warehouse into distinct procedures in the questionnaire and solicits data for calculating the time and cost to complete each procedure (figure 7.4). These procedures include but are not limited to:

- Obtaining all plans and surveys required by the architect and the engineer to start the design of the building plans (for example, topographical surveys, location maps or soil tests).
- Obtaining and submitting to the authorities all relevant project-specific documents (for example, building plans, site maps and certificates of urbanism).
- Hiring external third-party supervisors, engineers or inspectors (if necessary).
- Obtaining all necessary clearances, licenses, permits and certificates.
- Submitting all required notifications for the start and end of construction and for inspections.
- Requesting and receiving all necessary inspections (unless completed by a private, third-party inspector).

Doing Business also records procedures for obtaining connections for water and sewerage. Procedures necessary to register the warehouse so that it can be used as collateral or transferred to another entity are also counted.

To make the data comparable across locations, several assumptions about the construction company, the warehouse project and the utility connections are used.

Assumptions about the construction company

The construction company (BuildCo):

- Is a limited liability company (or its legal equivalent).
- Operates in the selected location.
- Is 100% domestically and privately owned.
- Has five owners, none of whom is a legal entity.
- Is fully licensed and insured to carry out construction projects, such as building warehouses.
- Has 60 builders and other employees, all of them nationals with the technical expertise and professional experience necessary to obtain construction permits and approvals.
- Has a licensed architect and a licensed engineer, both registered with the local association of architects or engineers. BuildCo is not assumed to have any other employees who are technical or licensed experts, such as geological or topographical experts.
- Has paid all taxes and taken out all necessary insurance applicable to its general business activity (for example, accident insurance for construction workers and third-person liability insurance).
- Owns the land on which the warehouse will be built and will sell the warehouse upon its completion.

Assumptions about the warehouse

The warehouse:

- Will be used for general storage activities, such as storage of books or stationery. The warehouse will not be used for any goods requiring special conditions, such as food, chemicals or pharmaceuticals.
- Will have two stories, both above ground, with a total constructed area of approximately 1,300.6 square meters (14,000 square feet). Each floor will be 3 meters (9 feet, 10 inches) high.
- Will have road access and be located in the periurban area of the selected location (that is, on the fringes of the location but still within its official limits).
- Will not be located in a special economic or industrial zone.

- Will be located on a land plot of approximately 929 square meters (10,000 square feet) that is 100% owned by BuildCo and is accurately registered in the cadastre and land registry where freehold titles exist. However, when the land is owned by the government and leased by BuildCo, it is assumed that BuildCo will register the land in the cadastre or land registry or both, whichever is applicable, at the completion of the warehouse.
- Is valued at 50 times income per capita.
- Will be a new construction (there was no previous construction on the land), with no trees, natural water sources, natural reserves or historical monuments of any kind on the plot.
- Will have complete architectural and technical plans prepared by a licensed architect and a licensed engineer. If preparation of the plans requires such steps as obtaining further documentation or getting prior approvals from external agencies, these are counted as procedures.
- Will include all technical equipment required to be fully operational.
- Will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements).

Assumptions about the utility connections

The water and sewerage connections:

- Will be 150 meters (492 feet) from the existing water source and sewer tap. If there is no water delivery infrastructure in the location, a borehole will be dug. If there is no sewerage infrastructure, a septic tank in the smallest size available will be installed or built.
- Will not require water for fire protection reasons; a fire extinguishing system (dry system) will be used instead. If a wet fire protection system is required by law, it is assumed that the water demand specified below also covers the water needed for fire protection.
- Will have an average water use of 662 liters (175 gallons) a day and an average wastewater flow of 568 liters (150 gallons) a day. Will have a peak water use of 1,325 liters (350 gallons) a day and a peak wastewater flow of 1,136 liters (300 gallons) a day.
- Will have a constant level of water demand and wastewater flow throughout the year.
- Will be 1 inch in diameter for the water connection and 4 inches in diameter for the sewerage connection.

Procedures

A procedure is any interaction of the company's employees or managers, or any party acting on behalf of the company, with external parties, including government agencies, notaries, the land registry, the cadastre, utility companies and public inspectors—and the hiring of external private inspectors and technical experts where needed. Interactions between company employees, such as development of the warehouse plans and inspections conducted by employees, are not counted as procedures. However, interactions with external parties that are required for the architect to prepare the plans and drawings (such as obtaining topographic or geological surveys), or to have such documents approved or stamped by external parties, are counted as procedures. Procedures that the company undergoes to connect the warehouse to water and sewerage are included. All procedures that are legally required, or that are done in practice by the majority of companies, to build a warehouse are counted, even if they may be avoided in exceptional cases. This includes obtaining technical conditions for electricity or clearance of the electrical plans only if they are required to obtain a building permit (table 7.2).

TABLE 7.2 What do the indicators on the efficiency of construction permitting measure?

Procedures to legally build a warehouse (number)
Submitting all relevant documents and obtaining all necessary clearances, licenses, permits and certificates
Submitting all required notifications and receiving all necessary inspections
Obtaining utility connections for water and sewerage
Registering the warehouse after its completion (if required for use as collateral or for transfer of the warehouse)
Time required to complete each procedure (calendar days)
Does not include time spent gathering information
Each procedure starts on a separate day—though procedures that can be fully completed online are an exception to this rule
Procedure considered completed once final document is received
No prior contact with officials
Cost required to complete each procedure (% of warehouse value)
Official costs only, no bribes

Time

Time is recorded in calendar days. The measure captures the median duration that local experts indicate is necessary to complete a procedure in practice. It is assumed that the minimum time required for each procedure is one day, except for procedures that can be fully completed online, for which the time required is recorded as half a day. Although procedures may take place simultaneously, they cannot start on the same day (that is, simultaneous procedures start on consecutive days), again with the exception of procedures that can be fully completed online. If a procedure can be accelerated legally for an additional cost and the accelerated procedure is used by the majority of companies, the fastest procedure is chosen. It is assumed that BuildCo does not waste time and commits to completing each remaining procedure without delay. The time that BuildCo spends on gathering information is not taken into account. It is assumed that BuildCo is aware of all building requirements and their sequence from the beginning.

Cost

Cost is recorded as a percentage of the warehouse value (assumed to be 50

times income per capita). Only official costs are recorded. All the fees associated with completing the procedures to legally build a warehouse are recorded, including those associated with obtaining land use approvals and preconstruction design clearances; receiving inspections before, during and after construction; obtaining utility connections; and registering the warehouse property. Nonrecurring taxes required for the completion of the warehouse project are also recorded. Sales taxes (such as value added tax) or capital gains taxes are not recorded. Nor are deposits that must be paid up front and are later refunded. The building code, information from local experts, and specific regulations and fee schedules are used as sources for costs. If several local partners provide different estimates, the median reported value is used.

BUILDING QUALITY CONTROL

The building quality control index is based on six other indices—the quality of building regulations, quality control before construction, quality control during construction, quality control after construction, liability and insurance regimes, and professional certifications indices (table 7.3). The indicator is based on the same case study assumptions as the measures of efficiency.

Quality of building regulations index

The quality of building regulations index has two components:

- Whether building regulations are easily accessible. A score of 1 is assigned if building regulations (including the building code) or regulations dealing with construction permits are available on a website that is updated as new regulations are passed; 0.5 if the building regulations are available free of charge (or for a nominal fee) at the relevant permit-issuing authority; 0 if the building regulations must be purchased or if they are not made easily accessible anywhere.
- Whether the requirements for obtaining a building permit are clearly specified. A score of 1 is assigned if the building regulations (including the building code) or any accessible website, brochure or pamphlet clearly specifies the list of required documents to submit, the fees to be paid and all required preapprovals of the drawings or plans (for example, electrical, water and sewerage, or environmental clearances) by the relevant agencies; 0 if none of these sources specify any of these requirements or if these sources specify fewer than the three requirements mentioned here.

The index ranges from 0 to 2, with higher values indicating clearer and more transparent building regulations. In New Zealand, for example, all relevant legislation can be found on an official government website (a score of 1). The legislation specifies the list of required documents to submit, the fees to be paid, and all required preapprovals of the drawings or plans by the relevant agencies (a score of 1). Adding these numbers gives New Zealand a score of 2 on the quality of building regulations index.

Quality control before construction index

The quality control before construction index has one component:

- Whether by law a licensed architect or licensed engineer is part of the committee or team that reviews and approves building permit applications and whether that person has the authority to refuse an application if the plans are not in compliance with the building regulations. A score of 1 is assigned if the national association of architects or engineers (or its equivalent) must review the building plans, if an independent firm or expert who is a licensed architect or engineer must review the plans, if the architect or engineer who prepared the plans must submit an attestation to the permit-issuing authority stating that the plans are in compliance with the building regulations or if a licensed architect or engineer is part of the committee or team that approves the plans at the relevant permit-issuing authority; 0 if no licensed architect or engineer is involved in the review of the plans to ensure their compliance with the building regulations.

The index ranges from 0 to 1, with higher values indicating better quality control in the review of the building plans. In Rwanda, for example, the City Hall in Kigali must review the building permit application, including the plans and drawings, and both a licensed architect and a licensed

TABLE 7.3 What do the indicators on building quality control measure?

Quality of building regulations index (0–2)
Accessibility of building regulations (0–1)
Clarity of requirements for obtaining a building permit (0–1)
Quality control before construction index (0–1)
Whether licensed or technical experts approve building plans (0–1)
Quality control during construction index (0–3)
Types of inspections legally mandated during construction (0–2)
Implementation of legally mandated inspections in practice (0–1)
Quality control after construction index (0–3)
Final inspection legally mandated after construction (0–2)
Implementation of legally mandated final inspection in practice (0–1)
Liability and insurance regimes index (0–2)
Parties held legally liable for structural flaws after building occupancy (0–1)
Parties legally mandated to obtain insurance to cover structural flaws after building occupancy or insurance commonly obtained in practice (0–1)
Professional certifications index (0–4)
Qualification requirements for individual who approves building plans (0–2)
Qualification requirements for individual who supervises construction or conducts inspections (0–2)
Building quality control index (0–15)
Sum of the quality of building regulations, quality control before construction, quality control during construction, quality control after construction, liability and insurance regimes, and professional certifications indices

engineer are part of the team that reviews the plans and drawings. Rwanda therefore receives a score of 1 on the quality control before construction index.

Quality control during construction index

The quality control during construction index has two components:

- Whether inspections are mandated by law during the construction process. A score of 2 is assigned if an in-house supervising engineer (that is, an employee of the building company), an external supervising engineer or a government agency is legally mandated to conduct risk-based inspections. A score of 1 is assigned if an in-house supervising engineer (that is, an employee of the building company), an external supervising engineer or an external inspections firm is legally mandated to conduct technical inspections at different stages during the construction of the building or if a government agency is legally mandated only to conduct technical inspections at different stages during the construction. A score of 0 is assigned if a government agency is legally mandated to conduct unscheduled inspections or if no technical inspections are mandated by law.
- Whether inspections during construction are implemented in practice. A score of 1 is assigned if the legally mandated inspections during construction always occur in practice; 0 if the legally mandated inspections do not occur in practice, if the inspections occur most of the time but not always or if inspections are not mandated by law regardless of whether or not they commonly occur in practice.

The index ranges from 0 to 3, with higher values indicating better quality control during the construction process. In Antigua and Barbuda, for example, the Development Control Authority is legally mandated to conduct phased inspections under the Physical Planning Act of 2003 (a score of 1). However, the Development Control Authority rarely conducts these inspections in practice (a score of 0). Adding these numbers gives Antigua and Barbuda a score of 1 on the quality control during construction index.

Quality control after construction index

The quality control after construction index has two components:

- Whether a final inspection is mandated by law in order to verify that the building was built in accordance with the approved plans and existing building regulations. A score of 2 is assigned if an in-house supervising engineer (that is, an employee of the building company), an external supervising engineer or an external inspections firm is legally mandated to verify that the building has been built in accordance with the approved plans and existing building regulations or if a government agency is legally mandated to conduct a final inspection upon completion of the building; 0 if no final inspection is mandated by law after construction and no third party is required to verify that the building has been built in accordance with the approved plans and existing building regulations.
- Whether the final inspection is implemented in practice. A score of 1 is assigned if the legally mandated final inspection after construction always occurs in practice or if a supervising engineer or firm attests that the building has been built in accordance with the approved plans and existing building regulations; 0 if the legally mandated final inspection does not occur in practice, if the legally mandated final inspection occurs most of the time but not always or if a final inspection is not mandated by law regardless of whether or not it commonly occurs in practice.

The index ranges from 0 to 3, with higher values indicating better quality control after the construction process. In Haiti, for example, the Municipality of Port-au-Prince is legally mandated to conduct a final inspection under the national Building Code of 2012 (a score of 2). However, most of the time the final inspection does not occur in practice (a score of 0). Adding these numbers gives Haiti a score of 2 on the quality control after construction index.

Liability and insurance regimes index

The liability and insurance regimes index has two components:

- Whether any parties involved in the construction process are held legally liable for latent defects such as structural flaws or problems in the building once it is in use. A score of 1 is assigned if at least two of the following parties are held legally liable for structural flaws or problems in the building once it is in use: the architect or engineer who designed the plans for the building, the professional or agency that conducted technical inspections, or the construction company; 0.5 if only one of the parties is held legally liable for structural flaws or problems in the building once it is in use; 0 if no party is held legally liable for structural flaws or problems in the building once it is in use, if the project owner or investor is the only party held liable, if liability is determined in court or if liability is stipulated in a contract.
- Whether any parties involved in the construction process are legally required to obtain a latent defect liability—or decennial (10-year) liability—insurance policy to cover possible structural flaws or problems in the building once it is in use. A score of 1 is assigned if the architect or engineer who designed the plans for the building, the professional or agency that conducted the technical inspections, the construction company, or the project owner or investor is required by law to obtain either a decennial liability insurance policy or a latent defect liability insurance policy to cover possible structural flaws or problems in the building once it is in

use or if a decennial liability insurance policy or a latent defect liability insurance policy is commonly obtained in practice by the majority of any of these parties even if not required by law. A score of 0 is assigned if no party is required by law to obtain either a decennial liability insurance policy or a latent defect liability insurance policy and such insurance is not commonly obtained in practice by any party, if the requirement to obtain an insurance policy is stipulated in a contract, if any party must obtain a professional insurance or all-risk insurance policy to cover the safety of workers or any other defects during construction but not a decennial liability insurance or latent defect liability insurance policy that would cover defects after the building is in use, or if any party is required to pay for any damages caused on their own without having to obtain an insurance policy.

The index ranges from 0 to 2, with higher values indicating more stringent latent defect liability and insurance regimes. In Madagascar, for example, under article 1792 of the Civil Code both the architect who designed the plans and the construction company are held legally liable for latent defects for a period of 10 years after the completion of the building (a score of 1). However, there is no legal requirement for any party to obtain a decennial liability insurance policy to cover structural defects, nor do most parties obtain such insurance in practice (a score of 0). Adding these numbers gives Madagascar a score of 1 on the liability and insurance regimes index.

Professional certifications index

The professional certifications index has two components:

- The qualification requirements for the professional responsible for verifying that the architectural plans or drawings are in compliance with the building regulations. A score of 2 is assigned if this professional must have a minimum number of years of practical experience, must have a university degree (a minimum of a bachelor's) in architecture or engineering and must also either be a registered member of the national order (association) of architects or engineers or pass a qualification exam. A score of 1 is assigned if the professional must have a university degree (a minimum of a bachelor's) in architecture or engineering and must also *either* have a minimum number of years of practical experience *or* be a registered member of the national order (association) of architects or engineers or pass a qualification exam. A score of 0 is assigned if the professional must meet only one of the requirements, if the professional must meet two of the requirements but neither of the two is to have a university degree, or if the professional is subject to no qualification requirements.
- The qualification requirements for the professional who conducts the technical inspections during construction. A score of 2 is assigned if the regulation mandates that the professional must have a minimum number of years of practical experience, must have a university degree (a minimum of a bachelor's) in engineering and must also either be a registered member of the national order of engineers or pass a qualification exam. A score of 1 is assigned if the regulation mandates that the professional must have a university degree (a minimum of a bachelor's) in engineering and must also *either* have a minimum number of years of practical experience *or* be a registered member of the national order (association) of engineers or architects or pass a qualification exam. A score of 0 is assigned if the regulation mandates that the professional must meet only one of the requirements, if they mandate that the professional must meet two of the requirements but neither of the two is to have a university degree, or if no national or state regulation determines the professional's qualification requirements.

The index ranges from 0 to 4, with higher values indicating greater professional certification requirements.

In Albania, for example, the professional conducting technical inspections during construction must have a minimum number of years of experience as well as a relevant university degree and must also be a registered architect or engineer (a score of 2). However, the professional responsible for verifying that the architectural plans or drawings are in compliance with building regulations must only have a minimum number of years of experience and a university degree in architecture or engineering (a score of 1). Adding these numbers gives Albania a score of 3 on the professional certifications index.

Building quality control index

The building quality control index is the sum of the scores on the quality of building regulations, quality control before construction, quality control during construction, quality control after construction, liability and insurance regimes, and professional certifications indices. The index ranges from 0 to 15, with higher values indicating better quality control and safety mechanisms in the construction regulatory system.

REFORMS

The indicator set on dealing with construction permits tracks changes related to the efficiency and quality of construction permitting systems since the last benchmarked study in 2017. Depending on the impact on the data, certain changes are classified as reforms in order to acknowledge the implementation of significant changes. Reforms are divided into two types: those that make it easier to do business and those changes that make it more difficult to do business. The dealing with construction permits indicator set uses one criterion to recognize a reform. The aggregate gap on the overall score of the indicator set is used to assess the impact of data changes. Any data update that leads to a change of 2% or more on the score gap is classified as a reform

(for more details, see the chapter on "About *Doing Business* and *Doing Business in Kazakhstan 2019*"). For example, if the implementation of a new electronic permitting system reduces time in a way that the overall gap decreases by 2% or more, such a change is classified as a reform. On the contrary, minor fee updates or other smaller changes in the indicators that have an aggregate impact of less than 2% on the gap are not classified as a reform, but their impact is still reflected in the most updated data for this indicator set.

The data details on dealing with construction permits can be found at http://www.doingbusiness.org.

GETTING ELECTRICITY

Doing Business records all procedures required for a business to obtain a permanent electricity connection and supply for a standardized warehouse (figure 7.5). These procedures include applications and contracts with electricity utilities, all necessary inspections and clearances from the distribution utility and other agencies, and the external and final connection works. The questionnaire divides the process of getting an electricity connection into distinct procedures and solicits data for calculating the time and cost to complete each procedure.

In addition, *Doing Business* compiles the reliability of supply and transparency of tariffs index (included in the aggregate score and the ranking on the ease of doing business) and measures the price of electricity (omitted from these aggregate measures). The reliability of supply and transparency of tariffs index encompasses quantitative data on the duration and frequency of power outages as well as qualitative information on the mechanisms put in place by the utility for monitoring power outages and restoring power supply, the reporting relationship between the utility and the regulator for power outages, the transparency and accessibility of tariffs and whether the utility faces a financial deterrent aimed at limiting outages (such as a requirement to compensate customers or pay fines when outages exceed a certain cap).

The ranking of locations on the ease of getting electricity is determined by sorting their scores for getting electricity. These scores are the simple average of the scores for all the component indicators except the price of electricity (figure 7.6).

Data on reliability of supply are collected from the electricity distribution utilities or regulators, depending on the specific technical nature of the data. The rest of the data, including data on the transparency of tariffs and the procedures for obtaining an electricity connection, are collected from all market players—the electricity distribution utility, electricity regulatory agencies and independent professionals such as electrical engineers, electrical contractors and construction companies. The electricity distribution utility consulted is the one serving the area (or areas) where warehouses are located. If there is a choice of distribution utilities, the one serving the largest number of customers is selected.

FIGURE 7.5 *Doing Business* measures the connection process at the level of distribution utilities

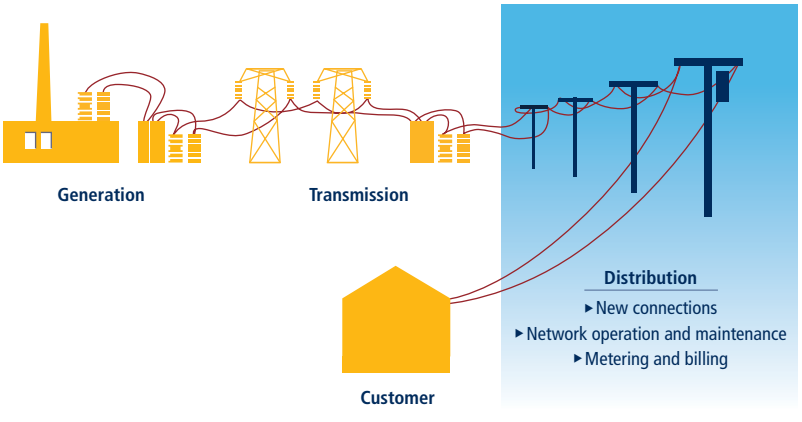
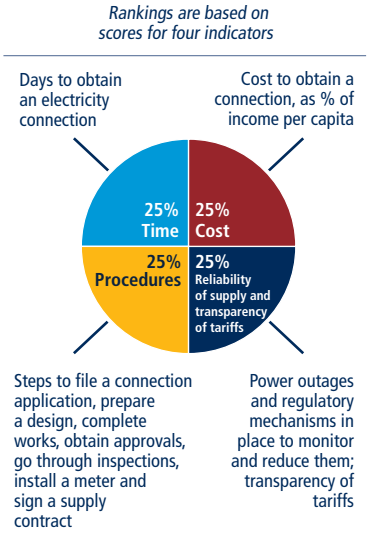


FIGURE 7.6 Getting electricity: efficiency, reliability and transparency



Note: The price of electricity is measured but does not count for the rankings.

To make the data comparable across locations, several assumptions about the warehouse, the electricity connection and the monthly consumption are used.

Assumptions about the warehouse

The warehouse:

- Is owned by a local entrepreneur.
- Is located in the selected location.
- Is located in an area where similar warehouses are typically located. In this area a new electricity connection is not eligible for a special investment

promotion regime (offering special subsidization or faster service, for example).
- Is located in an area with no physical constraints. For example, the property is not near a railway.
- Is a new construction and is being connected to electricity for the first time.
- Has two stories, both above ground, with a total surface area of approximately 1,300.6 square meters (14,000 square feet). The plot of land on which it is built is 929 square meters (10,000 square feet).
- Is used for the storage of goods.

Assumptions about the electricity connection

The electricity connection:
- Is a permanent one.
- Is a three-phase, four-wire Y connection with a subscribed capacity of 140 kilovolt-amperes (kVA) with a power factor of 1, when 1 kVA = 1 kilowatt (kW).
- Has a length of 150 meters. The connection is to either the low-voltage or the medium-voltage distribution network and is either overhead or underground, whichever is more common in the area where the warehouse is located.
- Requires works that involve the crossing of a 10-meter-wide road (by excavation or overhead lines) but are all carried out on public land. There is no crossing of other owners' private property because the warehouse has access to a road.
- Includes only negligible length in the customer's private domain.
- Does not require work to install the internal wiring of the warehouse. This has already been completed up to and including the customer's service panel or switchboard and the meter base.

Assumptions about the monthly consumption for March

- The warehouse operates 30 days a month from 9:00 a.m. to 5:00 p.m. (8 hours a day), with equipment utilized at 80% of capacity on average, and there are no electricity cuts (assumed for reasons of simplicity).
- The monthly energy consumption is 26,880 kilowatt-hours (kWh); hourly consumption is 112 kWh.
- If multiple electricity suppliers exist, the warehouse is served by the cheapest supplier.
- Tariffs effective in March of the current year are used for calculation of the price of electricity for the warehouse. Although March has 31 days, for calculation purposes only 30 days are used.

Procedures

A procedure is defined as any interaction of the company's employees or its main electrician or electrical engineer (that is, the one who may have done the internal wiring) with external parties, such as the electricity distribution utility, electricity supply utilities, government agencies, electrical contractors and electrical firms. Interactions between company employees and steps related to the internal electrical wiring, such as the design and execution of the internal electrical installation plans, are not counted as procedures. Procedures that must be completed with the same utility but with different departments are counted as separate procedures (table 7.4).

The company's employees are assumed to complete all procedures themselves unless the use of a third party is mandated (for example, if only an electrician registered with the utility is allowed to submit an application). If the company can, but is not required to, request the services of professionals (such as a private firm rather than the utility for the external works), these procedures are recorded if they are commonly done. The procedures counted include only the most likely cases (for example, more than 50% of the time the utility has the material) and those followed in practice for connecting a warehouse to electricity.

TABLE 7.4 What do the getting electricity indicators measure?

Procedures to obtain an electricity connection (number)
Submitting all relevant documents and obtaining all necessary clearances and permits
Completing all required notifications and receiving all necessary inspections
Obtaining external installation works and possibly purchasing material for these works
Concluding any necessary supply contract and obtaining final supply
Time required to complete each procedure (calendar days)
Is at least one calendar day
Each procedure starts on a separate day
Does not include time spent gathering information
Reflects the time spent in practice, with little follow-up and no prior contact with officials
Cost required to complete each procedure (% of income per capita)
Official costs only, no bribes
Value added tax excluded
Reliability of supply and transparency of tariffs index (0–8)
Duration and frequency of power outages
Tools to monitor power outages
Tools to restore power supply
Regulatory monitoring of utilities' performance
Financial deterrents aimed at limiting outages
Transparency and accessibility of tariffs
Price of electricity (cents per kilowatt-hour)
Price based on monthly bill for commercial warehouse in case study

Note: While *Doing Business* measures the price of electricity, it does not include these data when calculating the score for getting electricity or the ranking on the ease of getting electricity.

Time

Time is recorded in calendar days. The measure captures the median duration that the electricity utility and experts indicate is necessary in practice, rather than required by law, to complete a procedure with minimum follow-up and no extra payments. It is assumed that the minimum time required for each procedure is one day. Although procedures may take place simultaneously, they cannot start on the same day (that is, simultaneous procedures start on consecutive days).

It is assumed that the company does not waste time and commits to completing each remaining procedure without delay. The time that the company spends on gathering information is not taken into account. It is assumed that the company is aware of all electricity connection requirements and their sequence from the beginning.

Cost

Cost is recorded as a percentage of the economy's income per capita. Costs are recorded exclusive of value added tax. All the fees and costs associated with completing the procedures to connect a warehouse to electricity are recorded, including those related to obtaining clearances from government agencies, applying for the connection, receiving inspections of both the site and the internal wiring, purchasing material, getting the actual connection works and paying a security deposit. Information from local experts and specific regulations and fee schedules are used as sources for costs. If several local partners provide different estimates, the median reported value is used. In all cases the cost excludes bribes.

Security deposit

Utilities may require security deposits as a guarantee against the possible failure of customers to pay their consumption bills. For this reason, the security deposit for a new customer is most often calculated as a function of the customer's estimated consumption.

Doing Business does not record the full amount of the security deposit. If the deposit is based on the customer's actual consumption, this basis is the one assumed in the case study. Rather than the full amount of the security deposit, *Doing Business* records the present value of the losses in interest earnings experienced by the customer because the utility holds the security deposit over a prolonged period, in most cases until the end of the contract (assumed to be after five years). In cases where the security deposit is used to cover the first monthly consumption bills, it is not recorded. To calculate the present value of the lost interest earnings, the end-2017 lending rates from the International Monetary Fund's *International Financial Statistics* are used. In cases where the security deposit is returned with interest, the difference between the lending rate and the interest paid by the utility is used to calculate the present value.

In some economies the security deposit can be put up in the form of a bond: the company can obtain from a bank or an insurance company a guarantee issued on the assets it holds with that financial institution. In contrast to the scenario in which the customer pays the deposit in cash to the utility, in this scenario the company does not lose ownership control over the full amount and can continue using it. In return the company will pay the bank a commission for obtaining the bond. The commission charged may vary depending on the credit standing of the company. The best possible credit standing and thus the lowest possible commission are assumed. Where a bond can be put up, the value recorded for the deposit is the annual commission times the five years assumed to be the length of the contract. If both options exist, the cheaper alternative is recorded.

In Hong Kong SAR, China, a customer requesting a 140-kVA electricity connection in March 2018 would have had to put up a security deposit of 64,721 Hong Kong dollars (about $8,240) in cash or check, and the deposit would have been returned only at the end of the contract. The customer could instead have invested this money at the prevailing lending rate of 5.0%. Over the five years of the contract, this would imply a present value of lost interest earnings of 14,008 Hong Kong dollars ($1,780). In contrast, if the customer chose to settle the deposit with a bank guarantee at an annual rate of 1.5%, the amount lost over the five years would be just 4,854 Hong Kong dollars ($620).

RELIABILITY OF SUPPLY AND TRANSPARENCY OF TARIFFS INDEX

Doing Business uses the system average interruption duration index (SAIDI) and the system average interruption frequency index (SAIFI) to measure the duration and frequency of power outages in each of the selected locations. SAIDI is the average total duration of outages over the course of a year for each customer served, while SAIFI is the average number of service interruptions experienced by a customer in a year. Annual data (covering the calendar year) are collected from distribution utility companies and national regulators on SAIDI and SAIFI. Both SAIDI and SAIFI estimates should include planned and unplanned outages as well as load shedding.

A location is eligible to obtain a score on the reliability of supply and transparency of tariffs index if the utility collects data on electricity outages (measuring the average total duration of outages per customer and the average number of outages per customer) and the SAIDI value is below a threshold of 100 hours and the SAIFI value below a threshold of 100 outages.

Because the focus is on measuring the reliability of the electricity supply, a location is not eligible to obtain a score if outages are too frequent or long-lasting for the electricity supply to be considered reliable—that is, if the SAIDI or SAIFI value exceeds the determined threshold. A location is also not eligible to obtain a score if data on power outages are not collected or are collected only partially (for example, if data on planned outages or load shedding are not included in the calculation of SAIDI and SAIFI) and if the minimum outage time considered for calculation of SAIDI and SAIFI is more than five minutes.

For all locations that meet the criteria as determined by *Doing Business*, a score on the reliability of supply and transparency

of tariffs index is calculated on the basis of the following six components:

- What the SAIDI and SAIFI values are. If SAIDI and SAIFI are 12 (equivalent to an outage of one hour each month) or below, a score of 1 is assigned. If SAIDI and SAIFI are 4 (equivalent to an outage of one hour each quarter) or below, 1 additional point is assigned. Finally, if SAIDI and SAIFI are 1 (equivalent to an outage of one hour per year) or below, 1 more point is assigned.
- What tools are used by the distribution utility to monitor power outages. A score of 1 is assigned if the utility uses automated tools, such as the supervisory control and data acquisition (SCADA) system; 0 if it relies solely on calls from customers and records and monitors outages manually.
- What tools are used by the distribution utility to restore power supply. A score of 1 is assigned if the utility uses automated tools, such as the SCADA system; 0 if it relies solely on manual resources for service restoration, such as field crews or maintenance personnel.
- Whether a regulator—that is, an entity separate from the utility—monitors the utility's performance on reliability of supply. A score of 1 is assigned if the regulator performs periodic or real-time reviews; 0 if it does not monitor power outages and does not require the utility to report on reliability of supply.
- Whether financial deterrents exist to limit outages. A score of 1 is assigned if the utility compensates customers when outages exceed a certain cap, if the utility is fined by the regulator when outages exceed a certain cap or if both these conditions are met; 0 if no compensation mechanism of any kind is available.
- Whether electricity tariffs are transparent and easily available. A score of 1 is assigned if effective tariffs are available online and customers are notified of a change in tariff a full billing cycle (that is, one month) ahead of time; 0 if not.

The index ranges from 0 to 8, with higher values indicating greater reliability of electricity supply and greater transparency of tariffs. In the United Kingdom, for example, the distribution utility company UK Power Networks uses SAIDI and SAIFI metrics to monitor and collect data on power outages. In 2017 the average total duration of power outages in London was 0.27 hours per customer and the average number of outages experienced by a customer was 0.13. Both SAIDI and SAIFI are below the threshold and indicate that there was less than one outage a year per customer, for a total duration of less than one hour. Therefore, the economy not only meets the eligibility criteria for obtaining a score on the index; it also receives a score of 3 on the first component of the index. The utility uses the automatic GE PowerOn Control System to identify faults in the network (a score of 1) and to restore electricity service (a score of 1). The Office of Gas and Electricity Markets, an independent national regulatory authority, actively reviews the utility's performance in providing reliable electricity service (a score of 1) and requires the utility to compensate customers if outages last longer than a maximum period defined by the regulator (a score of 1). Customers are notified of a change in tariffs ahead of the next billing cycle and can easily check effective tariffs online (a score of 1). Adding these numbers gives the United Kingdom a total score of 8 on the reliability of supply and transparency of tariffs index.

On the other hand, several economies receive a score of 0 on this index. The reason may be that outages occur more than once a month and none of the mechanisms and tools measured by the index are in place. A location may also receive a score of 0 if either the SAIDI or SAIFI value (or both) exceeds the threshold of 100 or if not all outages were considered when calculating the indices. In Suriname, for example, the utility does not include load shedding in the calculation of SAIDI and SAIFI. Thus, based on the criteria established, Suriname cannot receive a score on the index even though the utility uses automated systems for monitoring outages and restoring power supply and there is transparency around electricity tariffs.

If an economy location issued no electricity connections between December 2016 and December 2018, or if electricity was not provided during that period, the economy receives a "no practice" mark on the procedures, time and cost indicators. In addition, a "no practice" economy receives a score of 0 on the reliability of supply and transparency of tariffs index even if, for example, there is regulatory oversight of utilities on power interruptions, for example.

Price of electricity

Doing Business measures the price of electricity but does not include these data when calculating the score for getting electricity or the ranking on the ease of getting electricity. The data are available on the *Doing Business* website (http://www.doingbusiness.org) and are based on standardized assumptions to ensure comparability across economies.

The price of electricity is measured in U.S. cents per kilowatt-hour. On the basis of the assumptions about monthly consumption, a monthly bill for a commercial warehouse in each of the selected locations in Kazakhstan is computed for the month of March. As noted, the warehouse uses electricity 30 days a month, from 9:00 a.m. to 5:00 p.m., so different tariff schedules may apply if a time-of-use tariff is available.

REFORMS

The indicator set on getting electricity tracks changes related to the efficiency of the connection process, as well as the reliability of power supply and transparency of tariffs. Depending on the impact on the data, certain changes are classified as reforms. Reforms

are divided into two types: those that make it easier to do business and those changes that make it more difficult to do business. The getting electricity indicator set uses two criteria to recognize a reform.

First, the aggregate gap on the overall score of the indicator set is used to assess the impact of data changes. Any data update that leads to a change of 2% or more on the score gap is classified as a reform (for more details, see the chapter on "About *Doing Business* and *Doing Business in Kazakhstan 2019*"). For example, if the implementation of a new single window at the utility reduces the time to process new connection requests in a way that the overall gap decreases by 2% or more, such a change is classified as a reform. On the other hand, minor fee updates from the utility or other small changes that have an aggregate impact of less than 2% on the gap are not classified as a reform, but their impact is still reflected in the most updated indicators for this topic.

Second, to be considered a reform, changes in the data must be tied to an initiative led by the utility or by the government—and not an exogenous event. For example, if outages increase considerably from one year to the next due to inclement weather, this cannot be considered a reform that makes doing business harder. Similarly, if the cost of electricity-related materials (such as cabling or transformers) decreases due to a currency appreciation, this cannot be considered a reform that makes doing business easier. However, if a utility establishes a one-stop shop to streamline the connection process or if it installs an automated system to improve monitoring of power outages and restoration of electricity services, these actions would be considered reforms that made doing business easier.

The data details on getting electricity can be found at http://www.doingbusiness.org. The initial methodology was developed by Carolin Geginat and Rita Ramalho ("Electricity Connections and Firm Performance in 183 Countries," Global Indicators Group, World Bank Group, Washington, DC, 2015) and is adopted here with minor changes.

REGISTERING PROPERTY

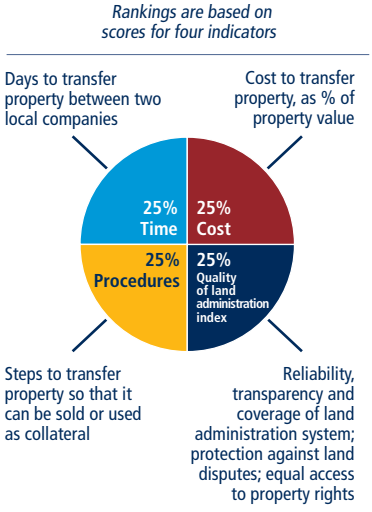
Doing Business records the full sequence of procedures necessary for a business (the buyer) to purchase a property from another business (the seller) and to transfer the property title to the buyer's name so that the buyer can use the property for expanding its business, use the property as collateral in taking new loans or, if necessary, sell the property to another business. It also measures the time and cost to complete each of these procedures. In addition, *Doing Business* measures the quality of the land administration system in each economy. The quality of land administration index has five dimensions: reliability of infrastructure, transparency of information, geographic coverage, land dispute resolution and equal access to property rights.

The ranking of locations on the ease of registering property is determined by sorting their scores for registering property. These scores are the simple average of the scores for each of the component indicators (figure 7.7).

EFFICIENCY OF TRANSFERRING PROPERTY

As recorded by *Doing Business*, the process of transferring property starts with obtaining the necessary documents, such as a copy of the seller's title if necessary, and conducting due diligence if required. The transaction is considered complete when it is opposable to third parties and when the buyer can use the property, use it as collateral for a bank loan or resell it (figure 7.8). Every procedure required by law or necessary in practice is included, whether it is the responsibility of the seller or the buyer or must be completed by a third party on their behalf. Local property lawyers, notaries and property registries provide information on procedures as well as the time and cost to complete each of them.

FIGURE 7.7 Registering property: efficiency and quality of land administration system



To make the data comparable across locations, several assumptions about the parties to the transaction, the property and the procedures are used.

Assumptions about the parties

The parties (buyer and seller):

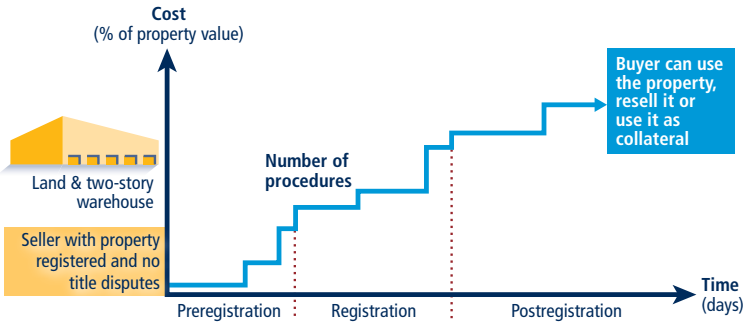
- Are limited liability companies (or the legal equivalent).
- Are located in the periurban area of the selected location.
- Are 100% domestically and privately owned.
- Have 50 employees each, all of whom are nationals.
- Perform general commercial activities.

Assumptions about the property

The property:

- Has a value of 50 times income per capita. The sale price equals the value.
- Is fully owned by the seller.
- Has no mortgages attached and has been under the same ownership for the past 10 years.

FIGURE 7.8 What are the time, cost and number of procedures required to transfer property between two local companies?



- Is registered in the land registry or cadastre, or both, and is free of title disputes.
- Is located in a periurban commercial zone, and no rezoning is required.
- Consists of land and a building. The land area is 557.4 square meters (6,000 square feet). A two-story warehouse of 929 square meters (10,000 square feet) is located on the land. The warehouse is 10 years old, is in good condition and complies with all safety standards, building codes and other legal requirements. It has no heating system. The property of land and building will be transferred in its entirety.
- Will not be subject to renovations or additional building following the purchase.
- Has no trees, natural water sources, natural reserves or historical monuments of any kind.
- Will not be used for special purposes, and no special permits, such as for residential use, industrial plants, waste storage or certain types of agricultural activities, are required.
- Has no occupants, and no other party holds a legal interest in it.

Procedures

A procedure is defined as any interaction of the buyer or the seller, their agents (if an agent is legally or in practice required) or the property with external parties, including government agencies, inspectors, notaries and lawyers. Interactions between company officers and employees are not considered. All procedures that are legally or in practice required for registering property are recorded, even if they may be avoided in exceptional cases (table 7.5). If a procedure can be accelerated legally for an additional cost, the fastest procedure is chosen if that option is more beneficial to the location's score and if it is used by the majority of property owners. Although the buyer may use lawyers or other professionals where necessary in the registration process, it is assumed that the buyer does not employ an outside facilitator in the registration process unless legally or in practice required to do so.

Time

Time is recorded in calendar days. The measure captures the median duration that property lawyers, notaries or registry officials indicate is necessary to complete a procedure. It is assumed that the minimum time required for each procedure is one day, except for procedures that can be fully completed online, for which the time required is recorded as half a day. Although procedures may take place simultaneously, they cannot start on the same day (again except for procedures that can be fully completed online). It is assumed that the buyer does not waste time and commits to completing each remaining procedure without delay. If a procedure can be accelerated for an additional cost, the fastest legal procedure available and used by the majority of property owners is chosen. If procedures can be undertaken simultaneously, it is assumed that they are. It is assumed that the parties involved are aware of all requirements and their sequence from the beginning. Time spent on gathering information is not considered. If time estimates differ among sources, the median reported value is used.

Cost

Cost is recorded as a percentage of the property value, assumed to be equivalent to 50 times income per capita. Only official costs required by law are recorded, including fees, transfer taxes, stamp duties and any other payment to the property registry, notaries, public agencies or lawyers. Other taxes, such as capital gains tax or value added tax, are excluded from the cost measure. Both

TABLE 7.5 What do the indicators on the efficiency of transferring property measure?

Procedures to legally transfer title on immovable property (number)
Preregistration procedures (for example, checking for liens, notarizing sales agreement, paying property transfer taxes)
Registration procedures in the selected location
Postregistration procedures (for example, filing title with municipality)
Time required to complete each procedure
Does not include time spent gathering information
Each procedure starts on a separate day—though procedures that can be fully completed online are an exception to this rule
Procedure considered completed once final document is received
No prior contact with officials
Cost required to complete each procedure (% of property value)
Official costs only (such as administrative fees, duties and taxes)
Value added tax, capital gains tax[a] and illicit payments are excluded

a. There is an exception in this report: the capital gains tax is included in the calculation of the cost for those states where the tax is charged based on the total value of the property and not only the profits.

costs borne by the buyer and those borne by the seller are included. If cost estimates differ among sources, the median reported value is used.

QUALITY OF LAND ADMINISTRATION

The quality of land administration index is composed of five other indices: the reliability of infrastructure, transparency of information, geographic coverage, land dispute resolution and equal access to property rights indices (table 7.6). Data are collected for each of the selected locations.

Reliability of infrastructure index

The reliability of infrastructure index has six components:

- How land titles are kept at the registry of the selected location. A score of 2 is assigned if the majority of land titles are fully digital; 1 if the majority are scanned; 0 if the majority are kept in paper format.
- Whether there is an electronic database for checking for encumbrances. A score of 1 is assigned if yes; 0 if no.
- How maps of land plots are kept at the mapping agency of the selected location. A score of 2 is assigned if the majority of maps are fully digital; 1 if the majority are scanned; 0 if the majority are kept in paper format.
- Whether there is a geographic information system—an electronic database for recording boundaries, checking plans and providing cadastral information. A score of 1 is assigned if yes; 0 if no.
- How the land ownership registry and mapping agency are linked. A score of 1 is assigned if information about land ownership and maps are kept in a single database or in linked databases; 0 if there is no connection between the different databases.
- How immovable property is identified. A score of 1 is assigned if there is a unique number to identify property for the majority of land plots; 0 if there are multiple identifiers.

The index ranges from 0 to 8, with higher values indicating a higher quality of infrastructure for ensuring the reliability of information on property titles and boundaries. In Turkey, for example, the land registry offices in Istanbul maintain titles in a fully digital format (a score of 2) and have a fully electronic database to check for encumbrances (a score of 1). The Cadastral Directorate offices in Istanbul have digital maps (a score of 2), and the Geographical Information Directorate has a public portal allowing users to check the plans and cadastral information on parcels along with satellite images (a score of 1). Databases about land ownership and maps are linked through the TAKBIS system, an integrated information system for the land registry offices and cadastral offices (a score of 1). Finally, there is a unique identifying number for properties (a score of 1). Adding these numbers gives Turkey a score of 8 on the reliability of infrastructure index.

Transparency of information index

The transparency of information index has 10 components:

- Whether information on land ownership is made publicly available. A score of 1 is assigned if information on land ownership is accessible by anyone; 0 if access is restricted.
- Whether the list of documents required for completing any type of property transaction is made publicly available. A score of 0.5 is assigned if the list of documents is accessible online or on a public board; 0 if it is not made available to the public or if it can be obtained only in person.
- Whether the fee schedule for completing any type of property transaction is made publicly available. A score of 0.5 is assigned if the fee schedule is accessible online or on a

TABLE 7.6 What do the indicators on the quality of land administration measure?

Reliability of infrastructure index (0–8)
Type of system for archiving information on land ownership
Availability of electronic database to check for encumbrances
Type of system for archiving maps
Availability of geographic information system
Link between property ownership registry and mapping system
Transparency of information index (0–6)
Accessibility of information on land ownership
Accessibility of maps of land plots
Publication of fee schedules, lists of registration documents, service standards
Availability of a specific and separate mechanism for complaints
Publication of statistics about the number of property transactions
Geographic coverage index (0–8)
Coverage of land registry at the level of the selected location and the economy
Coverage of mapping agency at the level of the selected location and the economy
Land dispute resolution index (0–8)
Legal framework for immovable property registration
Mechanisms to prevent and resolve land disputes
Equal access to property rights index (-2–0)
Unequal ownership rights to property between unmarried men and women
Unequal ownership rights to property between married men and women
Quality of land administration index (0–30)
Sum of the reliability of infrastructure, transparency of information, geographic coverage, land dispute resolution and equal access to property rights indices

public board, free of charge; 0 if it is not made available to the public or if it can be obtained only in person.
- Whether the agency in charge of immovable property registration commits to delivering a legally binding document that proves property ownership within a specific time frame. A score of 0.5 is assigned if the service standard is accessible online or on a public board; 0 if it is not made available to the public or if it can be obtained only in person.
- Whether there is a specific and separate mechanism for filing complaints about a problem that occurred at the agency in charge of immovable property registration. A score of 1 is assigned if there is a specific and separate mechanism for filing a complaint; 0 if there is only a general mechanism or no mechanism.
- Whether there are publicly available official statistics tracking the number of transactions at the immovable property registration agency. A score of 0.5 is assigned if statistics are published about property transfers in the selected location in the past calendar year; 0 if no such statistics are made publicly available.
- Whether maps of land plots are made publicly available. A score of 0.5 is assigned if maps are accessible by anyone; 0 if access is restricted.
- Whether the fee schedule for accessing maps is made publicly available. A score of 0.5 is assigned if the fee schedule is accessible online or on a public board, free of charge; 0 if it is not made available to the public or if it can be obtained only in person.
- Whether the mapping agency commits to delivering an updated map within a specific time frame. A score of 0.5 is assigned if the service standard is accessible online or on a public board; 0 if it is not made available to the public or if it can be obtained only in person.
- Whether there is a specific and separate mechanism for filing complaints about a problem that occurred at the mapping agency. A score of 0.5 is assigned if there is a specific and separate mechanism for filing a complaint; 0 if there is only a general mechanism or no mechanism.

The index ranges from 0 to 6, with higher values indicating greater transparency in the land administration system. In the Netherlands, for example, anyone who pays a fee can consult the land ownership database (a score of 1). Information can be obtained at the office, by mail or online using the Kadaster website (http://www.kadaster.nl). Anyone can also get information online about the list of documents to submit for property registration (a score of 0.5), the fee schedule for registration (a score of 0.5) and the service standards (a score of 0.5). And anyone facing a problem at the land registry can file a complaint or report an error by filling in a specific form online (a score of 1). In addition, the Kadaster makes statistics about land transactions available to the public, reporting a total of 214,793 property transfers in Amsterdam in 2016 (a score of 0.5). Moreover, anyone who pays a fee can consult online cadastral maps (a score of 0.5). It is also possible to get public access to the fee schedule for map consultation (a score of 0.5), the service standards for delivery of an updated plan (a score of 0.5) and a specific mechanism for filing a complaint about a map (a score of 0.5). Adding these numbers gives the Netherlands a score of 6 on the transparency of information index.

Geographic coverage index

The geographic coverage index has four components:
- How complete the coverage of the land registry is at the level of the selected location. A score of 2 is assigned if all privately held land plots in the location are formally registered at the land registry; 0 if not.
- How complete the coverage of the land registry is at the level of the economy. A score of 2 is assigned if all privately held land plots in the economy are formally registered at the land registry; 0 if not.
- How complete the coverage of the mapping agency is at the level of the selected location. A score of 2 is assigned if all privately held land plots in the location are mapped; 0 if not.
- How complete the coverage of the mapping agency is at the level of the economy. A score of 2 is assigned if all privately held land plots in the economy are mapped; 0 if not.

The index ranges from 0 to 8, with higher values indicating greater geographic coverage in land ownership registration and cadastral mapping. In Japan, for example, all privately held land plots are formally registered at the land registry in Tokyo and Osaka (a score of 2) and the economy as a whole (a score of 2). Also, all privately held land plots are mapped in both cities (a score of 2) and the economy as a whole (a score of 2). Adding these numbers gives Japan a score of 8 on the geographic coverage index.

Land dispute resolution index

The land dispute resolution index assesses the legal framework for immovable property registration and the accessibility of dispute resolution mechanisms. The index has eight components:
- Whether the law requires that all property sale transactions be registered at the immovable property registry to make them opposable to third parties. A score of 1.5 is assigned if yes; 0 if no.
- Whether the formal system of immovable property registration is subject to a guarantee. A score of 0.5 is assigned if either a state or a private guarantee over immovable property registration is required by law; 0 if no such guarantee is required.
- Whether there is a specific compensation mechanism to cover for losses incurred by parties who engaged in good faith in a property transaction based on erroneous information

certified by the immovable property registry. A score of 0.5 is assigned if yes; 0 if no.

- Whether the legal system requires verification of the legal validity of the documents necessary for a property transaction. A score of 0.5 is assigned if there is a review of legal validity, either by the registrar or by a professional (such as a notary or lawyer); 0 if there is no review.
- Whether the legal system requires verification of the identity of the parties to a property transaction. A score of 0.5 is assigned if there is verification of identity, either by the registrar or by a professional (such as a notary or lawyer); 0 if there is no verification.
- Whether there is a national database to verify the accuracy of identity documents. A score of 1 is assigned if such a national database is available; 0 if not.
- How much time it takes to obtain a decision from a court of first instance (without appeal) in a standard land dispute between two local businesses over tenure rights worth 50 times income per capita and located in the selected location. A score of 3 is assigned if it takes less than one year; 2 if it takes between one and two years; 1 if it takes between two and three years; 0 if it takes more than three years.
- Whether there are publicly available statistics on the number of land disputes in the first instance. A score of 0.5 is assigned if statistics are published about land disputes in the economy in the past calendar year; 0 if no such statistics are made publicly available.

The index ranges from 0 to 8, with higher values indicating greater protection against land disputes. In the United Kingdom, for example, according to the Land Registration Act 2002 property transactions must be registered at the land registry to make them opposable to third parties (a score of 1.5). The property transfer system is guaranteed by the state (a score of 0.5) and has a compensation mechanism to cover losses incurred by parties who engaged in good faith in a property transaction based on an error by the registry (a score of 0.5). In accordance with the Proceeds of Crime Act 2002 and the Money Laundering Regulations 2007, a lawyer verifies the legal validity of the documents in a property transaction (a score of 0.5) and the identity of the parties (a score of 0.5). The United Kingdom has a national database to verify the accuracy of identity documents (a score of 1). In a land dispute between two British companies over the tenure rights of a property worth $2,026,500, the Land Registration division of the Property Chamber (First-tier Tribunal) gives a decision in less than one year (a score of 3). Finally, statistics about land disputes are collected and published; there were a total of 1,154 land disputes in the country in 2017 (a score of 0.5). Adding these numbers gives the United Kingdom a score of 8 on the land dispute resolution index.

Quality of land administration index

The quality of land administration index is the sum of the scores on the reliability of infrastructure, transparency of information, geographic coverage, land dispute resolution and equal access to property rights indices. The index ranges from 0 to 30, with higher values indicating better quality of the land administration system.

REFORMS

The registering property indicator set tracks changes related to the efficiency and quality of land administration systems since the last benchmarked study in 2017. Depending on the impact on the data, certain changes are classified as reforms in order to acknowledge the implementation of significant changes. Reforms are divided into two types: those that make it easier to do business and those changes that make it more difficult to do business. The registering property indicator set uses two criteria to recognize a reform.

First, the aggregate gap on the overall score of the indicator set is used to assess the impact of data changes. Any data update that leads to a change of 2% or more in the score gap is classified as a reform (for more details, see the chapter on "About *Doing Business* and *Doing Business in Kazakhstan 2019*"). For example, if the implementation of a new electronic property registration system reduces time in a way that the overall gap decreases by 2% or more, such a change is classified as a reform. On the contrary, minor fee updates or other smaller changes in the indicators that have an aggregate impact of less than 2% on the gap are not classified as a reform, but their impact is still reflected in the most updated data for this indicator set.

Second, the overall score on the quality of land administration is also considered as a criterion. Any change of 1 point or more on the overall quality score is acknowledged as a reform. For instance, the completion of the geographic coverage of the land registry of the selected location (2 points) is considered a reform.

The data details on registering property can be found at http://www.doingbusiness.org.

Indicator Snapshots

	Starting a business					
Location	**Procedures** (number)	**Time** (days)	**Cost** (% of income per capita)	**Paid-in minimum capital** (% of income per capita)	**Ease of doing business score** (0–100)	**Ease of starting a business** (rank)
Akmola *(Kokshetau)*	5	6	2.19	0.0	92.46	14
Aktobe	4	5	0.18	0.0	94.44	2
Almaty city	4	5	0.24	0.0	94.43	9
Almaty region *(Taldykorgan)*	6	6	1.00	0.0	91.14	15
Atyrau	4	5	0.24	0.0	94.43	9
East Kazakhstan *(Oskemen)*	5	6	0.88	0.0	92.63	13
Karagandy	4	5	0.21	0.0	94.43	7
Kostanay	4	5	0.18	0.0	94.43	5
Kyzylorda	4	5	0.23	0.0	94.43	8
Mangystau *(Aktau)*	4	5	0.28	0.0	94.42	11
North Kazakhstan *(Petropavl)*	5	6	0.82	0.0	92.63	12
Nur-Sultan	4	4.5	0.21	0.0	94.56	1
Pavlodar	4	5	0.18	0.0	94.44	2
Shymkent	4	5	0.20	0.0	94.43	6
West Kazakhstan *(Oral)*	4	5	0.18	0.0	94.44	2
Zhambyl *(Taraz)*	6	6	1.37	0.0	91.09	16

	Dealing with construction permits					
Location	**Procedures** (number)	**Time** (days)	**Cost** (% of warehouse value)	**Building quality control index** (0–15)	**Ease of doing business score** (0–100)	**Ease of dealing with construction permits** (rank)
Akmola *(Kokshetau)*	18	96.5	2.0	13	76.07	3
Aktobe	18	118.5	1.9	13	74.59	9
Almaty city	17	102.5	2.2	13	76.47	1
Almaty region *(Taldykorgan)*	18	99.5	2.0	13	75.99	5
Atyrau	18	121.5	2.3	13	73.87	13
East Kazakhstan *(Oskemen)*	18	128.5	2.1	13	73.60	14
Karagandy	18	117.5	2.0	13	74.54	10
Kostanay	18	118.5	1.6	13	74.99	7
Kyzylorda	18	96.5	1.9	13	76.24	2
Mangystau *(Aktau)*	18	99.5	1.9	13	76.03	4
North Kazakhstan *(Petropavl)*	18	123.5	2.2	13	73.88	12
Nur-Sultan	18	113	2.1	13	74.80	8
Pavlodar	18	120.5	2.1	13	74.22	11
Shymkent	18	141.5	2.2	13	72.59	16
West Kazakhstan *(Oral)*	18	137.5	2.3	13	72.75	15
Zhambyl *(Taraz)*	18	107.5	2.1	13	75.23	6

	Getting electricity					
Location	**Procedures** (number)	**Time** (days)	**Cost** (% of income per capita)	**Reliability of supply and transparency of tariffs index** (0–8)	**Ease of doing business score** (0–100)	**Ease of getting electricity** (rank)
Akmola *(Kokshetau)*	6	75	45.0	5	71.79	12
Aktobe	6	57	40.1	6	76.89	3
Almaty city	6	71	39.3	8	81.62	1
Almaty region *(Taldykorgan)*	6	69	39.3	5	72.46	11
Atyrau	6	63	41.1	6	76.23	4
East Kazakhstan *(Oskemen)*	7	72	32.6	5	67.99	15
Karagandy	7	73	40.1	5	67.86	16
Kostanay	6	65	66.5	5	72.81	10
Kyzylorda	6	78	27.9	6	74.64	6
Mangystau *(Aktau)*	6	76	46.9	8	81.05	2
North Kazakhstan *(Petropavl)*	6	46	39.9	5	74.96	5
Nur-Sultan	8	87	51.0	8	71.51	13
Pavlodar	7	70	67.1	7	74.35	7
Shymkent	6	64	66.5	5	72.92	9
West Kazakhstan *(Oral)*	6	63	33.7	5	73.13	8
Zhambyl *(Taraz)*	6	75	70.4	4	68.59	14

	Registering property					
Location	**Procedures** (number)	**Time** (days)	**Cost** (% of property value)	**Quality of land administration index** (0–30)	**Ease of doing business score** (0–100)	**Ease of registering property** (rank)
Akmola *(Kokshetau)*	4	4.5	0.03	16	81.61	4
Aktobe	4	4.5	0.03	15	80.77	6
Almaty city	4	4.5	0.03	17	82.44	1
Almaty region *(Taldykorgan)*	4	5.5	0.03	15	80.65	14
Atyrau	4	4.5	0.03	15	80.77	6
East Kazakhstan *(Oskemen)*	4	4.5	0.03	17	82.44	1
Karagandy	4	4.5	0.03	15	80.77	6
Kostanay	4	4.5	0.03	15	80.77	6
Kyzylorda	4	4.5	0.03	15	80.77	6
Mangystau *(Aktau)*	4	5.5	0.03	15	80.65	14
North Kazakhstan *(Petropavl)*	4	4.5	0.03	16	81.61	4
Nur-Sultan	4	5.5	0.03	15	80.65	14
Pavlodar	4	4.5	0.03	17	82.44	1
Shymkent	4	4.5	0.03	15	80.77	6
West Kazakhstan *(Oral)*	4	4.5	0.03	15	80.77	6
Zhambyl *(Taraz)*	4	4.5	0.03	15	80.77	6

Location Snapshots

AKMOLA *(KOKSHETAU)*

Aggregate rank (1–16): 9 | **Ease of doing business score 4 indicator average: 80.48** | **Population: 738,942**

Starting a business (rank)	14	Getting electricity (rank)	12
Ease of doing business score (0–100)	92.46	Ease of doing business score (0–100)	71.79
Procedures (number)	5	Procedures (number)	6
Time (days)	6	Time (days)	75
Cost (% of income per capita)	2.19	Cost (% of income per capita)	45.0
Minimum capital (% of income per capita)	0	Reliability of supply and transparency of tariffs index (0–8)	5
Dealing with construction permits (rank)	3	Registering property (rank)	4
Ease of doing business score (0–100)	76.07	Ease of doing business score (0–100)	81.61
Procedures (number)	18	Procedures (number)	4
Time (days)	96.5	Time (days)	4.5
Cost (% of warehouse value)	2.0	Cost (% of property value)	0.03
Building quality control index (0–15)	13	Quality of land administration index (0–30)	16

AKTOBE

Aggregate rank (1–16): 3 | **Ease of doing business score 4 indicator average: 81.67** | **Population: 857,711**

Starting a business (rank)	2	Getting electricity (rank)	3
Ease of doing business score (0–100)	94.44	Ease of doing business score (0–100)	76.89
Procedures (number)	4	Procedures (number)	6
Time (days)	5	Time (days)	57
Cost (% of income per capita)	0.18	Cost (% of income per capita)	40.1
Minimum capital (% of income per capita)	0	Reliability of supply and transparency of tariffs index (0–8)	6
Dealing with construction permits (rank)	9	Registering property (rank)	6
Ease of doing business score (0–100)	74.59	Ease of doing business score (0–100)	80.77
Procedures (number)	18	Procedures (number)	4
Time (days)	118.5	Time (days)	4.5
Cost (% of warehouse value)	1.9	Cost (% of property value)	0.03
Building quality control index (0–15)	13	Quality of land administration index (0–30)	15

Sources: Doing Business database; Committee on Statistics, Ministry of National Economy of the Republic of Kazakhstan (for population data).
Note: The procedures to start a business are the same for men and women across all 16 locations.

ALMATY CITY

Aggregate rank (1–16): 1 | **Ease of doing business score 4 indicator average: 83.74** | **Population: 1,801,993**

Starting a business (rank)	9	Getting electricity (rank)	1
Ease of doing business score (0–100)	94.43	Ease of doing business score (0–100)	81.62
Procedures (number)	4	Procedures (number)	6
Time (days)	5	Time (days)	71
Cost (% of income per capita)	0.24	Cost (% of income per capita)	39.3
Minimum capital (% of income per capita)	0	Reliability of supply and transparency of tariffs index (0–8)	8
Dealing with construction permits (rank)	1	Registering property (rank)	1
Ease of doing business score (0–100)	76.47	Ease of doing business score (0–100)	82.44
Procedures (number)	17	Procedures (number)	4
Time (days)	102.5	Time (days)	4.5
Cost (% of warehouse value)	2.2	Cost (% of property value)	0.03
Building quality control index (0–15)	13	Quality of land administration index (0–30)	17

ALMATY REGION *(TALDYKORGAN)*

Aggregate rank (1–16): 13 | **Ease of doing business score 4 indicator average: 80.06** | **Population: 2,017,277**

Starting a business (rank)	15	Getting electricity (rank)	11
Ease of doing business score (0–100)	91.14	Ease of doing business score (0–100)	72.46
Procedures (number)	6	Procedures (number)	6
Time (days)	6	Time (days)	69
Cost (% of income per capita)	1.00	Cost (% of income per capita)	39.3
Minimum capital (% of income per capita)	0	Reliability of supply and transparency of tariffs index (0–8)	5
Dealing with construction permits (rank)	5	Registering property (rank)	14
Ease of doing business score (0–100)	75.99	Ease of doing business score (0–100)	80.65
Procedures (number)	18	Procedures (number)	4
Time (days)	99.5	Time (days)	5.5
Cost (% of warehouse value)	2.0	Cost (% of property value)	0.03
Building quality control index (0–15)	13	Quality of land administration index (0–30)	15

ATYRAU

Aggregate rank (1–16): 6 | **Ease of doing business score 4 indicator average: 81.32** | **Population: 620,684**

Starting a business (rank)	9	Getting electricity (rank)	4
Ease of doing business score (0–100)	94.43	Ease of doing business score (0–100)	76.23
Procedures (number)	4	Procedures (number)	6
Time (days)	5	Time (days)	63
Cost (% of income per capita)	0.24	Cost (% of income per capita)	41.1
Minimum capital (% of income per capita)	0	Reliability of supply and transparency of tariffs index (0–8)	6
Dealing with construction permits (rank)	13	Registering property (rank)	6
Ease of doing business score (0–100)	73.87	Ease of doing business score (0–100)	80.77
Procedures (number)	18	Procedures (number)	4
Time (days)	121.5	Time (days)	4.5
Cost (% of warehouse value)	2.3	Cost (% of property value)	0.03
Building quality control index (0–15)	13	Quality of land administration index (0–30)	15

Sources: Doing Business database; Committee on Statistics, Ministry of National Economy of the Republic of Kazakhstan (for population data).
Note: The procedures to start a business are the same for men and women across all 16 locations.

EAST KAZAKHSTAN *(OSKEMEN)*

Aggregate rank (1–16): 15 | **Ease of doing business score 4 indicator average: 79.16** | **Population: 1,383,745**

Starting a business (rank)	**13**	Getting electricity (rank)	**15**
Ease of doing business score (0–100)	92.63	Ease of doing business score (0–100)	67.99
Procedures (number)	5	Procedures (number)	7
Time (days)	6	Time (days)	72
Cost (% of income per capita)	0.88	Cost (% of income per capita)	32.6
Minimum capital (% of income per capita)	0	Reliability of supply and transparency of tariffs index (0–8)	5
Dealing with construction permits (rank)	**14**	Registering property (rank)	**1**
Ease of doing business score (0–100)	73.60	Ease of doing business score (0–100)	82.44
Procedures (number)	18	Procedures (number)	4
Time (days)	128.5	Time (days)	4.5
Cost (% of warehouse value)	2.1	Cost (% of property value)	0.03
Building quality control index (0–15)	13	Quality of land administration index (0–30)	17

KARAGANDY

Aggregate rank (1–16): 14 | **Ease of doing business score 4 indicator average: 79.40** | **Population: 1,380,538**

Starting a business (rank)	**7**	Getting electricity (rank)	**16**
Ease of doing business score (0–100)	94.43	Ease of doing business score (0–100)	67.86
Procedures (number)	4	Procedures (number)	7
Time (days)	5	Time (days)	73
Cost (% of income per capita)	0.21	Cost (% of income per capita)	40.1
Minimum capital (% of income per capita)	0	Reliability of supply and transparency of tariffs index (0–8)	5
Dealing with construction permits (rank)	**10**	Registering property (rank)	**6**
Ease of doing business score (0–100)	74.54	Ease of doing business score (0–100)	80.77
Procedures (number)	18	Procedures (number)	4
Time (days)	117.5	Time (days)	4.5
Cost (% of warehouse value)	2.0	Cost (% of property value)	0.03
Building quality control index (0–15)	13	Quality of land administration index (0–30)	15

KOSTANAY

Aggregate rank (1–16): 8 | **Ease of doing business score 4 indicator average: 80.75** | **Population: 875,616**

Starting a business (rank)	**5**	Getting electricity (rank)	**10**
Ease of doing business score (0–100)	94.43	Ease of doing business score (0–100)	72.81
Procedures (number)	4	Procedures (number)	6
Time (days)	5	Time (days)	65
Cost (% of income per capita)	0.18	Cost (% of income per capita)	66.5
Minimum capital (% of income per capita)	0	Reliability of supply and transparency of tariffs index (0–8)	5
Dealing with construction permits (rank)	**7**	Registering property (rank)	**6**
Ease of doing business score (0–100)	74.99	Ease of doing business score (0–100)	80.77
Procedures (number)	18	Procedures (number)	4
Time (days)	118.5	Time (days)	4.5
Cost (% of warehouse value)	1.6	Cost (% of property value)	0.03
Building quality control index (0–15)	13	Quality of land administration index (0–30)	15

Sources: Doing Business database; Committee on Statistics, Ministry of National Economy of the Republic of Kazakhstan (for population data).
Note: The procedures to start a business are the same for men and women across all 16 locations.

KYZYLORDA

Aggregate rank (1–16): 4 | **Ease of doing business score 4 indicator average: 81.52** | **opulation: 783,156**

Starting a business (rank)	**8**	Getting electricity (rank)	**6**
Ease of doing business score (0–100)	94.43	Ease of doing business score (0–100)	74.64
Procedures (number)	4	Procedures (number)	6
Time (days)	5	Time (days)	78
Cost (% of income per capita)	0.23	Cost (% of income per capita)	27.9
Minimum capital (% of income per capita)	0	Reliability of supply and transparency of tariffs index (0–8)	6
Dealing with construction permits (rank)	**2**	Registering property (rank)	**6**
Ease of doing business score (0–100)	76.24	Ease of doing business score (0–100)	80.77
Procedures (number)	18	Procedures (number)	4
Time (days)	96.5	Time (days)	4.5
Cost (% of warehouse value)	1.9	Cost (% of property value)	0.03
Building quality control index (0–15)	13	Quality of land administration index (0–30)	15

MANGYSTAU *(AKTAU)*

Aggregate rank (1–16): 2 | **Ease of doing business score 4 indicator average: 83.04** | **Population: 660,317**

Starting a business (rank)	**11**	Getting electricity (rank)	**2**
Ease of doing business score (0–100)	94.42	Ease of doing business score (0–100)	81.05
Procedures (number)	4	Procedures (number)	6
Time (days)	5	Time (days)	76
Cost (% of income per capita)	0.28	Cost (% of income per capita)	46.9
Minimum capital (% of income per capita)	0	Reliability of supply and transparency of tariffs index (0–8)	8
Dealing with construction permits (rank)	**4**	Registering property (rank)	**14**
Ease of doing business score (0–100)	76.03	Ease of doing business score (0–100)	80.65
Procedures (number)	18	Procedures (number)	4
Time (days)	99.5	Time (days)	5.5
Cost (% of warehouse value)	1.9	Cost (% of property value)	0.03
Building quality control index (0–15)	13	Quality of land administration index (0–30)	15

NORTH KAZAKHSTAN *(PETROPAVL)*

Aggregate rank (1–16): 7 | **Ease of doing business score 4 indicator average: 80.77** | **Population: 558,584**

Starting a business (rank)	**12**	Getting electricity (rank)	**5**
Ease of doing business score (0–100)	92.63	Ease of doing businesss score (0–100)	74.96
Procedures (number)	5	Procedures (number)	6
Time (days)	6	Time (days)	46
Cost (% of income per capita)	0.82	Cost (% of income per capita)	39.9
Minimum capital (% of income per capita)	0	Reliability of supply and transparency of tariffs index (0–8)	5
Dealing with construction permits (rank)	**12**	Registering property (rank)	**4**
Ease of doing business score (0–100)	73.88	Ease of doing business score (0–100)	81.61
Procedures (number)	18	Procedures (number)	4
Time (days)	123.5	Time (days)	4.5
Cost (% of warehouse value)	2.2	Cost (% of property value)	0.03
Building quality control index (0–15)	13	Quality of land administration index (0–30)	16

Sources: Doing Business database; Committee on Statistics, Ministry of National Economy of the Republic of Kazakhstan (for population data).
Note: The procedures to start a business are the same for men and women across all 16 locations.

NUR-SULTAN

Aggregate rank (1–16): 10	Ease of doing business score 4 indicator average: 80.38	Population: 1,030,577

Starting a business (rank)	1	Getting electricity (rank)	13
Ease of doing business score (0–100)	94.56	Ease of doing business score (0–100)	71.51
Procedures (number)	4	Procedures (number)	8
Time (days)	4.5	Time (days)	87
Cost (% of income per capita)	0.21	Cost (% of income per capita)	51.0
Minimum capital (% of income per capita)	0	Reliability of supply and transparency of tariffs index (0–8)	8
Dealing with construction permits (rank)	8	Registering property (rank)	14
Ease of doing business score (0–100)	74.80	Ease of doing business score (0–100)	80.65
Procedures (number)	18	Procedures (number)	4
Time (days)	113	Time (days)	5.5
Cost (% of warehouse value)	2.1	Cost (% of property value)	0.03
Building quality control index (0–15)	13	Quality of land administration index (0–30)	15

PAVLODAR

Aggregate rank (1–16): 5	Ease of doing business score 4 indicator average: 81.36	Population: 754,854

Starting a business (rank)	2	Getting electricity (rank)	7
Ease of doing business score (0–100)	94.44	Ease of doing business score (0–100)	74.35
Procedures (number)	4	Procedures (number)	7
Time (days)	5	Time (days)	70
Cost (% of income per capita)	0.18	Cost (% of income per capita)	67.1
Minimum capital (% of income per capita)	0	Reliability of supply and transparency of tariffs index (0–8)	7
Dealing with construction permits (rank)	11	Registering property (rank)	1
Ease of doing business score (0–100)	74.22	Ease of doing business score (0–100)	82.44
Procedures (number)	18	Procedures (number)	4
Time (days)	120.5	Time (days)	4.5
Cost (% of warehouse value)	2.1	Cost (% of property value)	0.03
Building quality control index (0–15)	13	Quality of land administration index (0–30)	17

SHYMKENT

Aggregate rank (1–16): 12	Ease of doing business score 4 indicator average: 80.18	Population: 952,170

Starting a business (rank)	6	Getting electricity (rank)	9
Ease of doing business score (0–100)	94.43	Ease of doing business score (0–100)	72.92
Procedures (number)	4	Procedures (number)	6
Time (days)	5	Time (days)	64
Cost (% of income per capita)	0.20	Cost (% of income per capita)	66.5
Minimum capital (% of income per capita)	0	Reliability of supply and transparency of tariffs index (0–8)	5
Dealing with construction permits (rank)	16	Registering property (rank)	6
Ease of doing business score (0–100)	72.59	Ease of doing business score (0–100)	80.77
Procedures (number)	18	Procedures (number)	4
Time (days)	141.5	Time (days)	4.5
Cost (% of warehouse value)	2.2	Cost (% of property value)	0.03
Building quality control index (0–15)	13	Quality of land administration index (0–30)	15

Sources: Doing Business database; Committee on Statistics, Ministry of National Economy of the Republic of Kazakhstan (for population data).
Note: The procedures to start a business are the same for men and women across all 16 locations.

WEST KAZAKHSTAN *(ORAL)*

Aggregate rank (1–16): 11	**Ease of doing business score 4 indicator average: 80.27**	**Population: 646,927**

Starting a business (rank)	**2**	Getting electricity (rank)	**8**
Ease of doing business score (0–100)	94.44	Ease of doing business score (0–100)	73.13
Procedures (number)	4	Procedures (number)	6
Time (days)	5	Time (days)	63
Cost (% of income per capita)	0.18	Cost (% of income per capita)	33.7
Minimum capital (% of income per capita)	0	Reliability of supply and transparency of tariffs index (0–8)	5
Dealing with construction permits (rank)	**15**	Registering property (rank)	**6**
Ease of doing business score (0–100)	72.75	Ease of doing business score (0–100)	80.77
Procedures (number)	18	Procedures (number)	4
Time (days)	137.5	Time (days)	4.5
Cost (% of warehouse value)	2.30	Cost (% of property value)	0.03
Building quality control index (0–15)	13	Quality of land administration index (0–30)	15

ZHAMBYL *(TARAZ)*

Aggregate rank (1–16): 16	**Ease of doing business score 4 indicator average: 78.92**	**Population: 1,117,200**

Starting a business (rank)	**16**	Getting electricity (rank)	**14**
Ease of doing business score (0–100)	91.09	Ease of doing business score (0–100)	68.59
Procedures (number)	6	Procedures (number)	6
Time (days)	6	Time (days)	75
Cost (% of income per capita)	1.37	Cost (% of income per capita)	70.4
Minimum capital (% of income per capita)	0	Reliability of supply and transparency of tariffs index (0–8)	4
Dealing with construction permits (rank)	**6**	Registering property (rank)	**6**
Ease of doing business score (0–100)	75.23	Ease of doing business score (0–100)	80.77
Procedures (number)	18	Procedures (number)	4
Time (days)	107.5	Time (days)	4.5
Cost (% of warehouse value)	2.10	Cost (% of property value)	0.03
Building quality control index (0–15)	13	Quality of land administration index (0–30)	15

Sources: Doing Business database; Committee on Statistics, Ministry of National Economy of the Republic of Kazakhstan (for population data).
Note: The procedures to start a business are the same for men and women across all 16 locations.

Indicator Details

STARTING A BUSINESS

Procedures required to start a business, by location

Standard company legal form: Limited Liability Partnership Minimum capital requirement: KZT 0 Data as of: December 2018		**Akmola** *(Kokshetau)*	**Aktobe**	**Almaty city**	**Almaty region** *(Taldykorgan)*	**Atyrau**	**East Kazakhstan** *(Oskemen)*	**Karagandy**	**Kostanay**	**Kyzylorda**	**Mangystau** *(Aktau)*	**North Kazakhstan** *(Petropavl)*	**Nur-Sultan**	**Pavlodar**	**Shymkent**	**West Kazakhstan** *(Oral)*	**Zhambyl** *(Taraz)*
1. Retain a lawyer to prepare the incorporation documents*	Time (days)	1			1		1					1					1
	Cost (KZT)	50,000			20,000		17,500					15,000					30,000
2. State registration of legal entity and VAT registration	Time (days)	2	2	2	1	2	2	2	2	2	2	2	1.5	2	2	2	1
	Cost (KZT)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Make a company seal	Time (days)	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
	Cost (KZT)	6,000	4,500	6,200	5,700	6,250	5,000	5,450	4,700	6,000	7,200	6,000	5,250	4,500	5,000	4,500	5,000
4. Open the company account in the bank**	Time (days)	1	1	1	1	2	1	1	1	1	1	1	1	1	1	1	1
	Cost (KZT)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Register for VAT***	Time (days)				1												1
	Cost (KZT)				-												-
6. Register for obligatory life and health insurance for employees	Time (days)	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
	Cost (KZT)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Source: Doing Business database.

* Procedure exists only in Akmola, Almaty region (Taldykorgan), East Kazakhstan, North Kazakhstan, Zhambyl.

** Takes place simultaneously with another procedure.

*** In Almaty city and Zhambyl VAT is applied for separately, not at the time of company registration on e-gov.

REGISTERING PROPERTY

Procedures required to transfer property, by location

Property value: KZT 127, 888,724 *Data as of: December 2018*		**Akmola** *(Kokshetau)*	**Aktobe**	**Almaty city**	**Almaty region** *(Taldykorgan)*	**Atyrau**	**East Kazakhstan** *(Oskemen)*	**Karagandy**	**Kostanay**	**Kyzylorda**	**Mangystau** *(Aktau)*	**North Kazakhstan** *(Petropavl)*	**Nur-Sultan**	**Pavlodar**	**Shymkent**	**West Kazakhstan** *(Oral)*	**Zhambyl** *(Taraz)*
1. Conduct due diligence on the property	Time (days)	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
	Cost (KZT)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Notarization of the sale-purchase agreement	Time (days)	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
	Cost (KZT)	40,885	40,885	40,885	40,885	40,885	40,885	40,885	40,885	40,885	40,885	40,885	40,885	40,885	40,885	40,885	40,885
3. Pay registration fees at the post office or commercial bank	Time (days)	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
	Cost (KZT)	3,221	3,221	3,221	3,221	3,221	3,221	3,221	3,221	3,221	3,221	3,221	3,221	3,221	3,221	3,221	3,221
4. Registration of the title document at the Government for Citizens	Time (days)	2	2	2	3	2	2	2	2	2	3	2	3	2	2	2	2
	Cost (KZT)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Quality of land administration index

	Akmola *(Kokshetau)*	**Aktobe**	**Almaty city**	**Almaty region** *(Taldykorgan)*	**Atyrau**	**East Kazakhstan** *(Oskemen)*	**Karagandy**	**Kostanay**	**Kyzylorda**	**Mangystau** *(Aktau)*	**North Kazakhstan** *(Petropavl)*	**Nur-Sultan**	**Pavlodar**	**Shymkent**	**West Kazakhstan** *(Oral)*	**Zhambyl** *(Taraz)*
Quality of land administration index (0–30)	**16**	**15**	**17**	**15**	**15**	**17**	**15**	**15**	**15**	**15**	**16**	**15**	**17**	**15**	**15**	**15**
Reliability of infrastructure index (0–8)	5	4	6	4	4	6	4	4	4	4	5	4	6	4	4	4
Transparency of information index (0–6)	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Geographic coverage index (0–8)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Land dispute resolution index (0–8)	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5

Source: Doing Business database.

DEALING WITH CONSTRUCTION PERMITS

Procedures required to build a warehouse and to connect to utilities, by location

Warehouse value: KZT 127,888,724 *Data as of: December 2018*		**Akmola** *(Kokshetau)*	**Aktobe**	**Almaty city**	**Almaty region** *(Taldykorgan)*	**Atyrau**	**East Kazakhstan** *(Oskemen)*	**Karagandy**	**Kostanay**	**Kyzylorda**	**Mangystau** *(Aktau)*	**North Kazakhstan** *(Petropavl)*	**Nur-Sultan**	**Pavlodar**	**Shymkent**	**West Kazakhstan** *(Oral)*	**Zhambyl** *(Taraz)*
1. Obtain geological survey of the land plot	Time (days)	12	15	14	12	17	30	26	15	7	11	22	17	21	30	25	10
	Cost (KZT)	550,000	487,500	450,000	387,500	600,000	500,000	525,000	300,000	400,000	475,000	550,000	565,766	500,000	450,000	575,000	500,000
2. Obtain topographic survey of the land plot	Time (days)	5	7	7	6	6	7	6	7	7	7	13	7	14	10	11	7
	Cost (KZT)	32,500	50,000	35,000	30,000	82,500	50,000	75,000	35,000	60,000	50,000	32,500	65,000	60,000	50,000	50,000	62,500
3. Request and obtain technical conditions for the connection to water supply and sewage service	Time (days)	7	11	-	7	7	13	11	7	7	7	7	7	15	19	11	6
	Cost (KZT)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Request and obtain Architectural Planning Assignment (APZ) from the department of architecture and town planning*	Time (days)	8	15	10	8	15	10	5	14	8	8	8	13	14	12	14	8
	Cost (KZT)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Request and obtain approval of the architectural drawings (Eskiz) from the department of architecture and town planning	Time (days)	9	14	14	14	14	14	14	16	14	14	11	14	7	14	14	14
	Cost (KZT)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6. Request and obtain clearance of the plans for engineering networks from the water and sewage authority	Time (days)	4	14	10	4	11	5	7	7	4	10	12	7	14	9	14	5
	Cost (KZT)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7. Submit project documentation to the single window to undergo expert evaluation	Time (days)	32	25	30	30	33	33	30	35	30	25	40	30	25	30	35	40
	Cost (KZT)	400,000	416,470	448,000	417,000	414,000	415,000	415,000	428,630	415,000	414,000	417,000	414,000	414,000	417,000	415,000	417,000
8. Hire construction supervision company/specialist	Time (days)	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
	Cost (KZT)	1,479,854	1,400,000	1,686,381	1,526,636	1,767,332	1,662,553	1,500,000	1,200,000	1,439,444	1,331,277	1,724,583	1,403,500	1,637,894	1,790,442	1,800,020	1,548,131
9. Notify the Administration of State Architectural and Construction Control (GASK) about the start of construction	Time (days)	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	1	0.5	0.5	0.5	0.5
	Cost (KZT)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10. Receive visit from Administration of State Architectural and Construction Control (GASK)	Time (days)	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
	Cost (KZT)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11. Receive connection to water and sewage systems	Time (days)	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
	Cost (KZT)	36,245	45,000	56,250	5,000	50,000	39,000	7,600	21,000	18,200	50,000	32,045	140,038	15,000	41,010	35,000	26,700
12. Submit Act of Acceptance to register technical characteristics of the warehouse in the government information database "Registry of Property" (GBDRN)	Time (days)	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
	Cost (KZT)	4,403.15	4,403.15	4,403.15	4,403.15	4,403.15	4,403.15	4,403.15	4,403.15	4,403.15	4,403.15	4,403.15	4,403.15	4,403.15	4,403.15	4,403.15	4,403.15

13. Submit Act of Acceptance for registration at the Administration of State Architectural and Construction Control (GASK)	Time (days)	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
	Cost (KZT)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14. Submit Act of Acceptance for registration at the Department of Architecture and Town Planning	Time (days)	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
	Cost (KZT)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15. Register BuildCo's rights to the warehouse	Time (days)	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3
	Cost (KZT)	2,147	2,147	2,147	2,147	2,147	2,147	2,147	2,147	2,147	2,147	2,147	2,147	2,147	2,147	2,147	2,147
16. Request a technical passport	Time (days)	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
	Cost (KZT)	2,465	2,465	2,465	2,465	2,465	2,465	2,465	2,465	2,465	2,465	2,465	2,465	2,465	2,465	2,465	2,465
17. Receive a technical inspection for the issuance of technical passport	Time (days)	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
	Cost (KZT)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18. Obtain a technical passport	Time (days)	13	14	14	14	14	13	14	14	15	14	13	14	14	17	14	14
	Cost (KZT)	63,859	63,859	63,859	63,859	63,859	63,859	63,859	63,859	63,859	63,859	63,859	63,859	63,859	63,859	63,859	63,859

* In Almaty technical conditions are requested and obtained at the same time with APZ.

Building quality control index																
	Akmola *(Kokshetau)*	**Aktobe**	**Almaty city**	**Almaty region** *(Taldykorgan)*	**Atyrau**	**East Kazakhstan** *(Oskemen)*	**Karagandy**	**Kostanay**	**Kyzylorda**	**Mangystau** *(Aktau)*	**North Kazakhstan** *(Petropavl)*	**Nur-Sultan**	**Pavlodar**	**Shymkent**	**West Kazakhstan** *(Oral)*	**Zhambyl** *(Taraz)*
Building quality control index (0–15)	**13**	**13**	**13**	**13**	**13**	**13**	**13**	**13**	**13**	**13**	**13**	**13**	**13**	**13**	**13**	**13**
Quality of building regulations index (0–2)	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
Quality control before construction index (0–1)	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Quality control during construction index (0–3)	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
Quality control after construction index (0–3)	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3
Liability and insurance regimes index (0–2)	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Professional certifications index (0–4)	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4

Source: Doing Business database.

Note: The data details for the building quality control index can be found for each location at http://doingbusiness.org/kazakhstan.

GETTING ELECTRICITY

Procedures required to obtain a permanent electricity connection and supply for a warehouse, by location

Data as of: December 2018		**Akmola** *(Kokshetau)*	**Aktobe**	**Almaty city**	**Almaty region** *(Taldykorgan)*	**Atyrau**	**East Kazakhstan** *(Oskemen)*	**Karagandy**	**Kostanay**	**Kyzylorda**	**Mangystau** *(Aktau)*	**North Kazakhstan** *(Petropavl)*	**Nur-Sultan**	**Pavlodar**	**Shymkent**	**West Kazakhstan** *(Oral)*	**Zhambyl** *(Taraz)*
1. Submit connection application and await technical conditions	Time (days)	5	5	5	5	4	5	5	5	5	5	5	5	5	5	5	5
	Cost (KZT)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Obtain the scheme of the connection route (and collect sign-offs)*	Time (days)	-	-	-	-	-	26	25	-	-	-	-	10	11	-	-	-
	Cost (KZT)	-	-	-	-	-	35,000	75,000	-	-	-	-	-	15,000	-	-	-
3. Await completion and approval of the project design	Time (days)	30	32	33	33	30	10	14	41	30	24	15	20	28	34	30	30
	Cost (KZT)	150,000	350,000	255,000	255,000	250,000	150,000	200,000	300,000	212,500	250,000	200,000	250,000	300,000	300,000	200,000	300,000
4. Obtain authorization for ground works (excavation, drilling or pole installation)	Time (days)	4	3	4	4	4	9	4	4	4	4	4	20	6	4	4	4
	Cost (KZT)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Await completion of external works by the electrical contractor	Time (days)	30	9	22	22	20	11	12	5	30	30	18	14	12	7	15	30
	Cost (KZT)	1,000,000	675,000	750,000	750,000	800,000	650,000	750,000	1,400,000	500,000	950,000	800,000	1,000,000	1,400,000	1,400,000	662,000	1,500,000
6. Await inspection and issuance of relevant documents	Time (days)	3	3	4	2	2	6	3	4	6	10	3	10	3	7	4	3
	Cost (KZT)	-	-	-	-	-	-	-	-	-	-	20,000	17,900	-	-	-	-
7. Sign a supply contract and await sealing of the meter and energizing	Time (days)	3	5	3	3	3	5	10	6	3	3	1	4	5	7	5	3
	Cost (KZT)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8. Apply for connection and await sealing of the meter and energizing**	Time (days)												4				
	Cost (KZT)												36,800				

* This procedure is requred in East Kazakhstan (Oskemen), Karagandy, Nur-Sultan and Pavlodar. In Nur-Sultan and Pavlodar, it involves only obtaining the scheme of the connection route, while in East Kazakhstan and Karagandy, it also involves collecting sign-offs from relevant institutions.

** Procedure exists only in Nur-Sultan.

Reliability of supply and transparency of tariffs index																
	Akmola *(Kokshetau)*	**Aktobe**	**Almaty city**	**Almaty region** *(Taldykorgan)*	**Atyrau**	**East Kazakhstan** *(Oskemen)*	**Karagandy**	**Kostanay**	**Kyzylorda**	**Mangystau** *(Aktau)*	**North Kazakhstan** *(Petropavl)*	**Nur-Sultan**	**Pavlodar**	**Shymkent**	**West Kazakhstan** *(Oral)*	**Zhambyl** *(Taraz)*
Reliability of supply and transparency of tariff index (0–8)	**5**	**6**	**8**	**5**	**6**	**5**	**5**	**5**	**6**	**8**	**5**	**8**	**7**	**5**	**5**	**4**
Total duration and frequency of outages per customer a year (0–3)	2	3	3	2	3	2	2	2	2	3	2	3	2	2	2	2
Mechanisms for monitoring outages (0–1)	0	0	1	0	0	0	0	0	1	1	0	1	1	0	0	0
Mechanisms for restoring service (0–1)	0	0	1	0	0	0	0	0	0	1	0	1	1	0	0	0
Regulatory monitoring (0–1)	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Financial deterrents aimed at limiting outages (0–1)	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Communication of tariffs and tariff changes (0–1)	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0

Source: Doing Business database.

Note: The data details for the reliability of supply and transparency of tariff index can be found for each location at http://doingbusiness.org/kazakhstan.

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