Subnational Series

Doing Business in Kazakhstan 2017












WORLD BANK GROUP

Comparing Business Regulation for Domestic Firms in 8 Kazakhstani Locations with 189 Other Economies

Doing Business in Kazakhstan 2017












Comparing Business Regulation for Domestic Firms in 8 Kazakhstani Locations with 189 Other Economies

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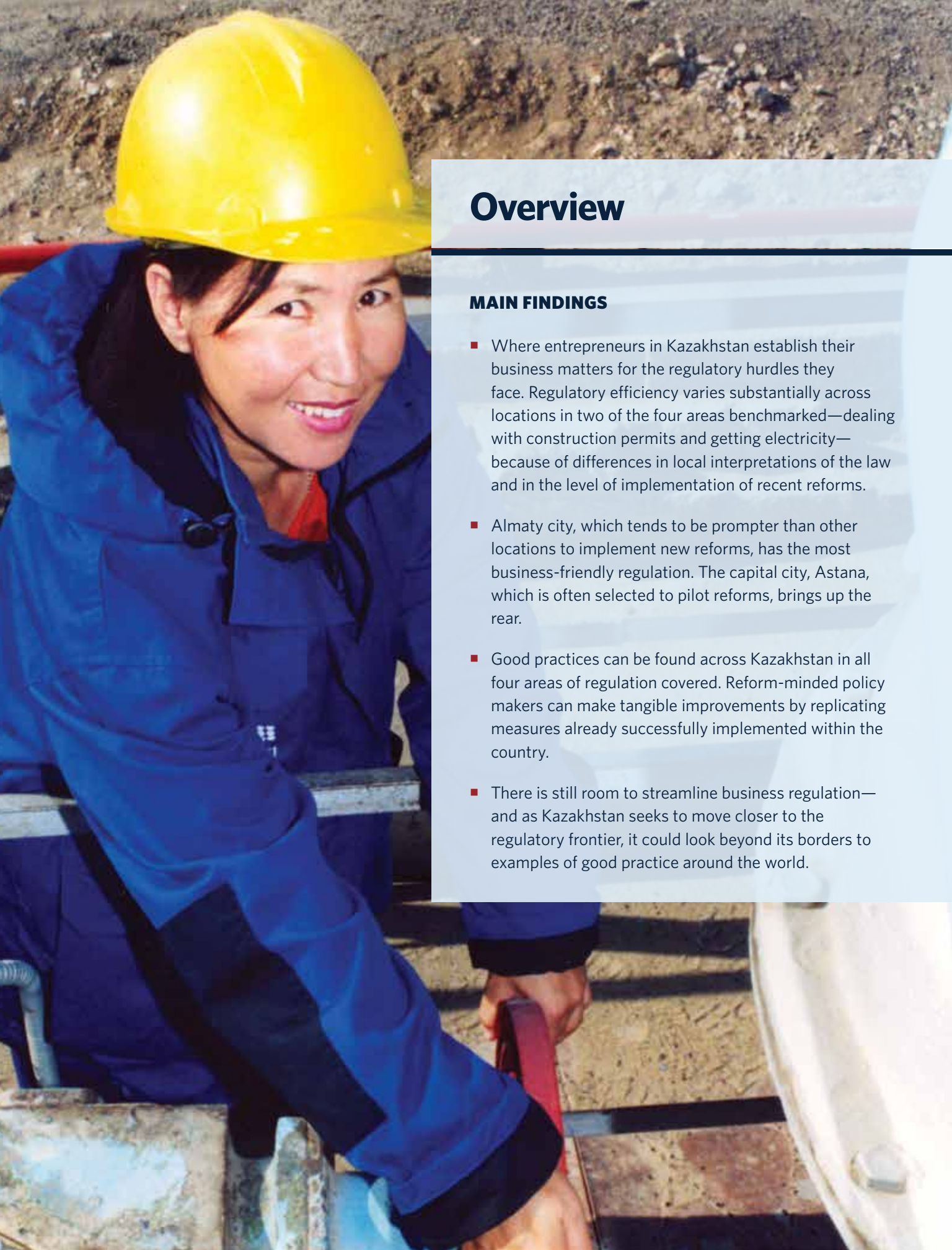
Contents

Doing Business in Kazakhstan 2017 is the first report of the subnational *Doing Business* series in Kazakhstan. It measures business regulations and their enforcement in four *Doing Business* areas. It goes beyond Almaty city to benchmark seven additional Kazakhstani locations—Aktobe, Astana, East Kazakhstan (Oskemen), Karagandy, Kostanay, Pavlodar and South Kazakhstan (Shymkent). This report's regional data is current as of December 2016 and includes comparisons with Almaty city and other economies based on data from *Doing Business 2017: Equal Opportunity for All*, the 14th in a series of annual reports published by the World Bank Group. The indicators in *Doing Business in Kazakhstan 2017* are also comparable with more than 400 locations from 65 economies benchmarked in other subnational *Doing Business* studies. All data and reports are available at www.doingbusiness.org /subnational.

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. Regulations affecting four areas of the life of a business are measured at the subnational level in Kazakhstan: starting a business, dealing with construction permits, getting electricity and registering property. These indicators were selected because they cover areas of local jurisdiction or practice. The indicators are used to analyze economic outcomes and identify what reforms have worked, where and why.

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.



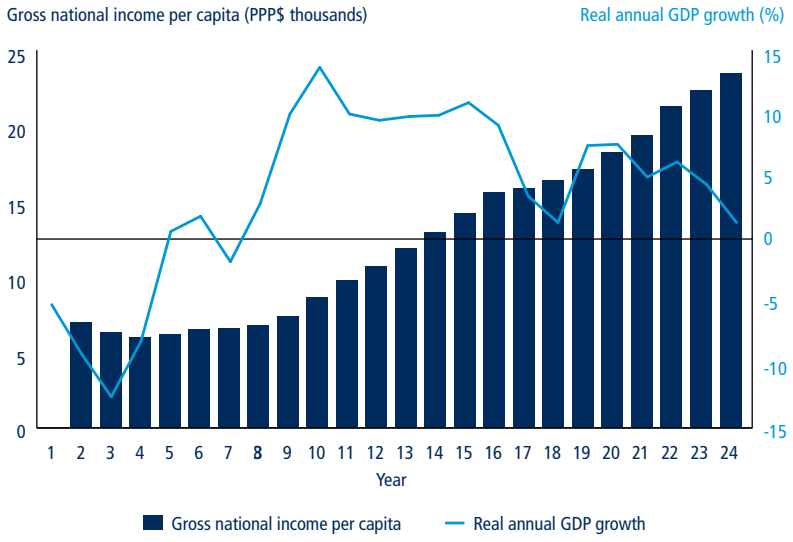
Overview

MAIN FINDINGS

- Where entrepreneurs in Kazakhstan establish their business matters for the regulatory hurdles they face. Regulatory efficiency varies substantially across locations in two of the four areas benchmarked—dealing with construction permits and getting electricity—because of differences in local interpretations of the law and in the level of implementation of recent reforms.
- Almaty city, which tends to be prompter than other locations to implement new reforms, has the most business-friendly regulation. The capital city, Astana, which is often selected to pilot reforms, brings up the rear.
- Good practices can be found across Kazakhstan in all four areas of regulation covered. Reform-minded policy makers can make tangible improvements by replicating measures already successfully implemented within the country.
- There is still room to streamline business regulation—and as Kazakhstan seeks to move closer to the regulatory frontier, it could look beyond its borders to examples of good practice around the world.

Kazakhstan celebrated the 25th anniversary of its independence on December 16, 2016. The country has come a long way since 1991 to become a regional economic power. Basic economic indicators show impressive progress. GDP growth averaged 7.7% a year in real terms between 2000 and 2014, contributing to the creation of more than 2 million jobs.[1] Income per capita nearly quadrupled over the past two decades, poverty fell dramatically, and living standards improved (figure 1.1). In the past decade Kazakhstan strengthened public management, improved the business climate and shifted resources toward critical infrastructure. According to a recent assessment by the Organisation for Economic Co-operation and Development (OECD), Kazakhstan is well placed to realize the objectives of its Kazakhstan 2050 Strategy and catch up with OECD income levels by 2050.[2]

FIGURE 1.1 Kazakhstan's income per capita nearly quadrupled over the past two decades, but GDP growth recently slowed



Source: World Development Indicators database, World Bank.
Note: Gross national income per capita is in current international dollars, converted using purchasing power parity (PPP) rates.

But a challenging external environment has caused a broad economic slowdown. GDP growth fell from 4.1% in 2014 to 1.2% in 2015 and 0.9% in 2016.[3] In addition, Kazakhstan remains vulnerable to external shocks because of its high dependence on natural resources—extractive industries account for 16% of GDP.[4]

In response, national authorities plan to accelerate the implementation of structural reforms designed to promote diversified economic development, raise productivity and improve the effectiveness of the bureaucracy.[5] Against this backdrop, strengthening the role of the private sector is critical. Business regulation reforms would help in creating an environment more conducive to private sector growth and in attracting more foreign direct investment—reforms leading to a well-regulated land market, streamlined licensing procedures for establishing a formal business, and efficient and transparent processes for obtaining construction permits and electricity connections.[6]

Reforms providing an appropriate incentive framework based on a clear, transparent and predictable business and investment climate are all key to promoting the development of small and medium-size enterprises.[7] And indeed, improving the investment climate for small and medium-size enterprises is among the priorities of the government of Kazakhstan. The goal is for these enterprises to contribute 50% of GDP by 2050.[8]

Achieving that goal will require facilitating the entry and growth of small and medium-size enterprises. In 2016 these enterprises accounted for only 25.6% of GDP and for 28% of total job creation, far below the global average of 63%.[9] Moreover, local small and medium-size enterprises grow more slowly than their counterparts in comparable countries as well as larger firms in Kazakhstan.[10] Barriers to their entry and growth remain, such as limited competition, inadequate access to finance, and high administrative costs and regulatory burdens.[11]

It is vital that the government identify new sources of growth to reduce the country's dependence on extractive industries. Private sector development is a strategic priority for this purpose.

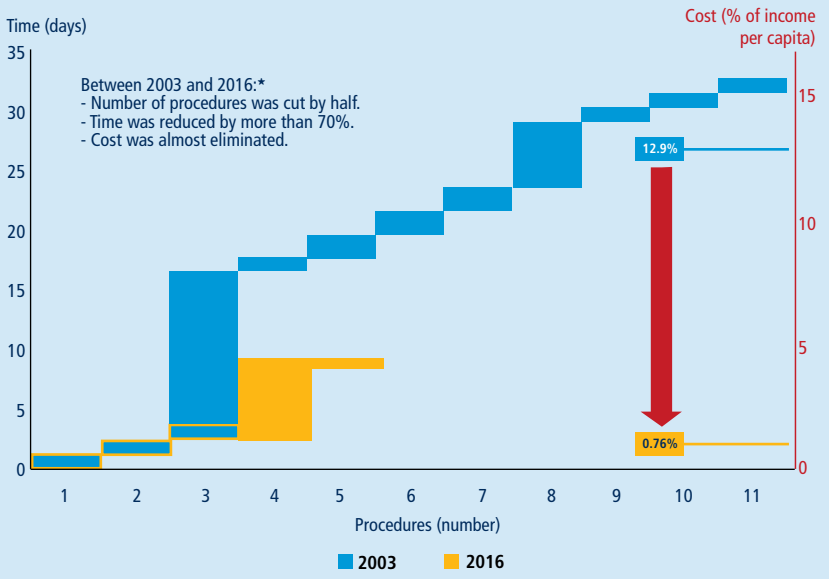
Kazakhstan already has a strong track record in promoting regulatory reform. Indeed, the country is regularly acknowledged as a leading reformer by the annual *Doing Business* report (box 1.1). Moreover, its reform program is continuing at a strong pace, as evidenced by the recent partnership with the OECD that includes 19 policy reviews.[12]

BOX 1.1 Kazakhstan a top reformer four times in 10 years, according to *Doing Business*

Kazakhstani authorities have taken important steps toward making it easier to do business—implementing 36 reforms acknowledged by *Doing Business* since 2006. Indeed, Kazakhstan was recognized by the annual *Doing Business* report as one of the top 10 reformers four times during that period—a unique achievement. In the period from June 2015 to June 2016 alone, Kazakhstan made improvements in 8 of the 11 regulatory areas covered. No other country reformed in more areas benchmarked by *Doing Business* during that period.

The main area of focus has been business registration, with six reforms recorded by *Doing Business* (see figure). As a result, starting a business has become much simpler since 2003, when the process was so complex that 80% of applications were rejected because of errors in the documents submitted.[a] Over the intervening years Kazakhstan simplified the application package for registration and eliminated the requirement to separately register the business at the local tax office. It also exempted local small and medium-size enterprises from paying registration fees, eliminated the legal requirement for a company seal and reduced the time required for electronic registration on the e-government (egov) web portal from one day to one hour. Kazakhstan also abolished the notarization requirement for the memorandum of association, company charter and founders' signatures.[b]

Kazakhstan has made big strides since 2003 in improving the process to start a business



Source: Doning Business database.

* The data for 2003 are for Kazakhstan as represented by Almaty city, while the data for 2016 are the average for the eight locations benchmarked in this study.

The most recent improvements have been achieved under the Kazakhstan 2050 Strategy (announced in December 2012), which sets a series of seven economic, social and political objectives, including "comprehensive support of entrepreneurship." With the goal of becoming one of the 30 most developed economies by 2050, Kazakhstan aims to transform itself into a diversified, knowledge-based economy driven by the private sector. In May 2015 President Nursultan Nazarbayev announced "100 concrete steps" to overcome the effects of the global crisis and implement the Kazakhstan 2050 Strategy. Of these 100 steps, 49 are aimed at fostering economic growth and diversification, including through the creation of a favorable investment climate. In the area of construction permitting, for example, the goal is to introduce a three-stage process: issuance of an architectural planning assignment within 30 days; concurrence with the project design within 20 days; and issuance of the construction permit within 10 days.

a. World Bank, *Doing Business 2004: Understanding Regulation* (Washington, DC: World Bank, 2003).
b. World Bank, *Doing Business 2017: Equal Opportunity for All* (Washington, DC: World Bank, 2016).

WHAT DOES *DOING BUSINESS IN KAZAKHSTAN 2017* MEASURE?

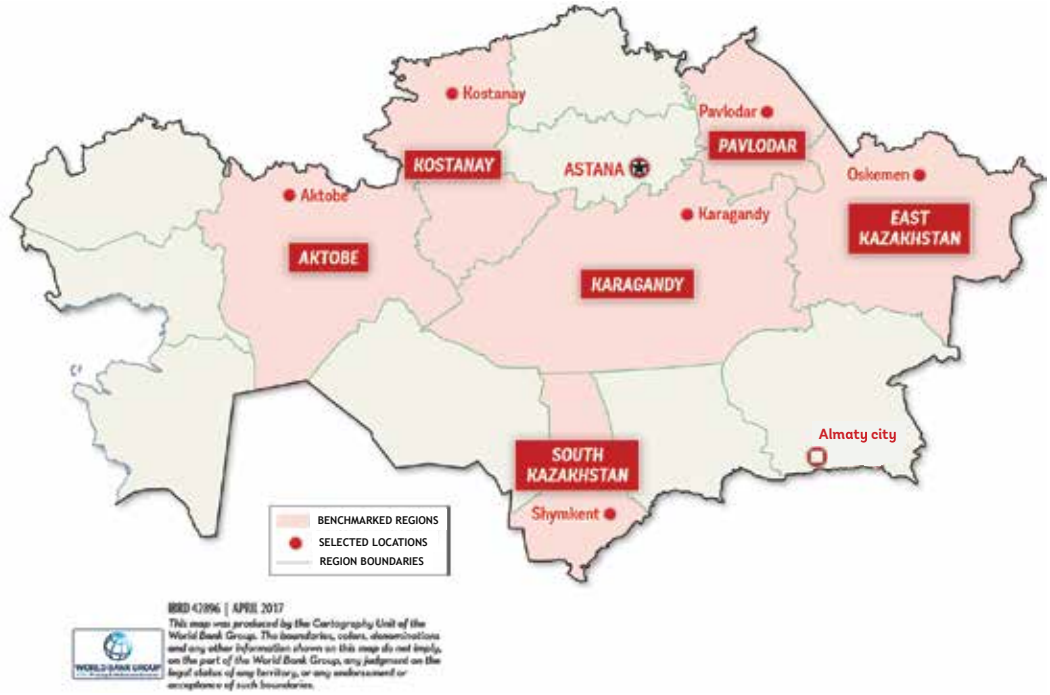
Doing Business studies business regulation from the perspective of small to medium-size domestic firms. A fundamental premise of *Doing Business* is that economic activity benefits from good rules and institutions. These include rules that establish and clarify property rights, increase the predictability of economic interactions and provide contractual partners with core protections against abuse. The idea is simple: if entrepreneurs spend less time dealing with regulatory burdens, they will have more time to devote to productive activities. If laws and regulations are clear, efficient and simple to implement—and, at the same time, enforceable in a court of law—entrepreneurs will be more comfortable about doing business with people they do not know, expanding their networks of clients and suppliers.

In the annual *Doing Business* report comparing 190 economies around the world, Kazakhstan is represented by Almaty city, its largest business center, accounting for 9% of the country's population.[13] Yet Almaty city does not tell the full story. Entrepreneurs operating in different locations face different local regulatory practices. Thus in addition to Almaty city, *Doing Business in Kazakhstan 2017* benchmarks six regions (oblasts)—Aktobe, East Kazakhstan, Karagandy, Kostanay, Pavlodar and South Kazakhstan, each represented by its largest business city (Aktobe, Oskemen, Karagandy, Kostanay, Pavlodar and Shymkent)—as well as the capital city, Astana (figure 1.2).

The objective of the study is to gain a broader understanding of the business regulatory environment across Kazakhstan as well as to provide good-practice examples and reform recommendations to help guide policy at the national and subnational levels. The study focuses on indicator sets that measure the complexity and cost of regulatory processes affecting four stages in the life of a small to medium-size domestic firm—starting a business, dealing with construction permits, getting electricity and registering property. These four indicator sets were selected because they relate to areas of business regulation where implementation of the common legal and regulatory framework differs across locations. While highly centralized line ministries hold the direct formal authority for the delivery of most services across the territory, regions as well as Almaty city and Astana wield local power and authority, especially in the areas of getting electricity and dealing with construction permits.

The data for the study are based on relevant laws, regulations, decrees and fee schedules as well as responses to questionnaires from more than 300 local experts from the private sector across the country. The respondents include lawyers, architects, engineers, construction companies, professional associations

FIGURE 1.2 In addition to Almaty city, *Doing Business in Kazakhstan* benchmarks six regions and Astana



and others who regularly carry out or advise firms on the procedures required in each of the benchmarked areas. Public officials from all levels of government also contributed information. The data are current as of December 2016.[14]

Doing Business in Kazakhstan 2017 does not measure all aspects of the business environment that matter to firms or investors—such as macroeconomic stability, the size of the market, the state of the financial system or the quality of human capital. Nor does it cover special economic zones where companies receive incentives to open a business. The results reveal variation in business regulations and their implementation across Kazakhstan.

WHAT ARE THE FINDINGS?

On aggregate across the four regulatory areas covered, Almaty city has the most business-friendly regulation, and Astana the least (table 1.1). Several observations stand out. First, no location does equally well in all four areas. All locations rank among the top three on at least one indicator set, but also among the bottom four on at least one other. This kind of variation in performance across indicator sets can help guide local policy makers to areas where improvements are possible without major legislative changes (figure 1.3).

Second, the efficiency of local regulation drives the aggregate ranking. The top three locations—Almaty city, Aktobe and Kostanay—do better on indicator sets relating to areas where local authorities have the most autonomy in developing and implementing regulatory rules—dealing with construction permits and getting electricity. Aktobe, which is among the bottom four on three indicator sets, has the number 2 ranking overall because of the relative ease of connecting a warehouse to the electricity grid in that location compared with its peers. Conversely, Astana, which leads in starting a business, lags behind in the aggregate ranking mainly because of complexity in connecting to the electricity grid and a low score on the reliability of supply and transparency of tariffs index. South Kazakhstan (Shymkent) ties for the lead in registering property and is runner-up in starting a business, but lags behind in the aggregate ranking and in dealing with construction permits, mainly because of a lack of coordination between the utilities and the municipality when it comes to the clearance of architectural and engineering plans. These findings indicate that reform-minded local governments have ample scope for action and can learn from one another.

Third, local business regulation reforms not only will improve the ranking of one location relative to another within Kazakhstan; they can make a substantial difference in performance in global comparisons. This is illustrated by the distance to frontier score, which shows the distance between a location's regulatory performance and the "frontier," defined as the best performance globally across 190 economies.

Distance to frontier scores for dealing with construction permits show a substantial gap between the best and worst performers in Kazakhstan (figure 1.4). With a score of 73.61, Almaty city would rank near the top 30% of economies globally, comparable to Canada (whose score of 73.66 puts it at 57 in the ranking). East Kazakhstan (Oskemen) and South Kazakhstan (Shymkent) lag behind with scores of 68.54 and 67.03; among the eight locations, these are the

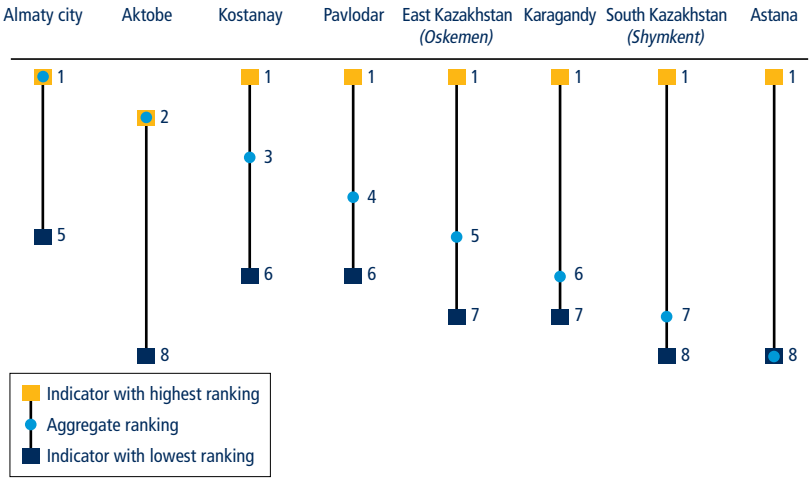
TABLE 1.1 Where is doing business easier in Kazakhstan—and where not?

Location	4 indicator average DTF score	Aggregate rank	Starting a business		Dealing with construction permits		Getting electricity		Registering property	
			DTF score	Rank	DTF score	Rank	DTF score	Rank	DTF score	Rank
Almaty city	80.85	1	91.94	5	73.61	1	73.64	1	84.20	1
Aktobe	78.88	2	89.94	8	72.38	5	69.13	2	84.08	7
Kostanay	78.82	3	90.14	6	73.00	2	67.95	3	84.20	1
Pavlodar	76.90	4	91.94	4	71.81	6	59.67	5	84.20	1
East Kazakhstan *(Oskemen)*	76.33	5	90.10	7	68.54	7	62.49	4	84.20	1
Karagandy	74.00	6	91.94	3	72.48	3	47.38	7	84.20	1
South Kazakhstan *(Shymkent)*	73.85	7	91.95	2	67.03	8	52.21	6	84.20	1
Astana	72.51	8	92.07	1	72.45	4	41.44	8	84.08	7

Source: Doing Business database.

Note: Rankings for the four areas measured are based on the distance to frontier (DTF) score, which shows how far a location is from the best performance achieved by any economy on each *Doing Business* indicator. The aggregate ranking is based on the aggregate distance to frontier score for the four areas. The distance to frontier score is normalized to range from 0 to 100, with 100 representing the frontier of best practices (the higher the score, the better). For more information, see the chapter "About *Doing Business* and *Doing Business in Kazakhstan 2017*" and the data notes.

FIGURE 1.3 A location's regulatory environment may be more business-friendly in some areas than in others—revealing opportunities for reform

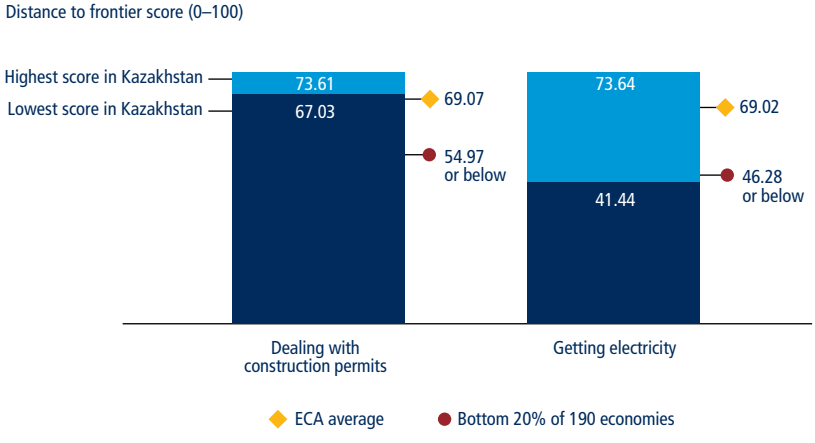


Source: Doing Business database.

only two where dealing with construction permits takes longer than the average for economies of Europe and Central Asia. If they were to replicate good practices found elsewhere in Kazakhstan to shorten the delays, they would move up not only in the ranking relative to their peers but also on the global scale.

Distance to frontier scores for getting electricity tell a similar story. With a score of 73.64, Almaty city would rank among the top 40% of economies globally, similar to Spain (whose score of 72.99 places it at 78 in the ranking). But Astana, with a score of 41.44, would rank among the bottom 15%. Yet Astana is already making strides to converge with good practices. In 2016 it started using a centralized and automated approach to monitoring outages. This will improve its score on the reliability of supply and transparency of tariffs index and, in turn, its distance to frontier score for getting electricity. But even if Astana were to measure up to Almaty city on the index (with 7 of 8 possible points), it would still lag behind Almaty city by 10 percentage points in the distance to frontier score. To catch up, Astana will also need to streamline the process of connecting a warehouse to the electricity grid—reducing both procedural complexity and time.[15]

FIGURE 1.4 Marked gaps in performance among the eight Kazakhstani locations in dealing with construction permits and getting electricity



Source: Doing Business database.

Note: The distance to frontier score shows how far a location is from the best performance achieved by any economy on each *Doing Business* indicator. The distance to frontier score is normalized to range from 0 to 100, with 100 representing the frontier of best practices (the higher the score, the better).

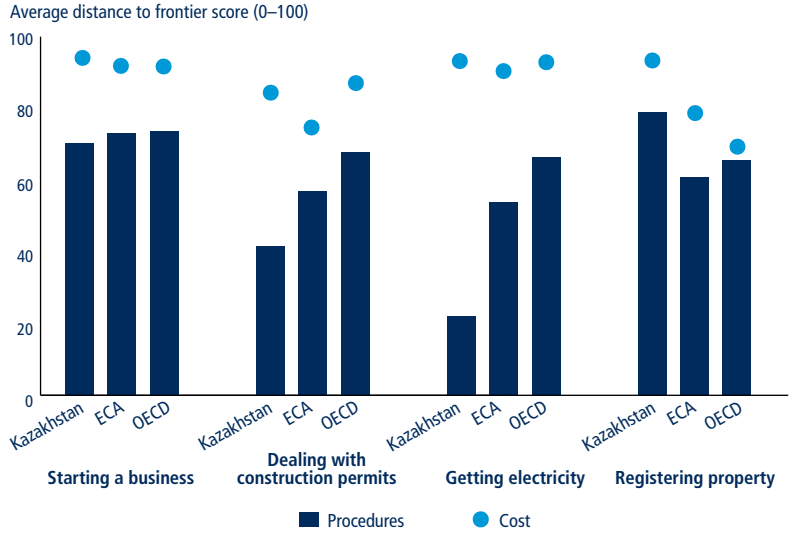
Fourth, in some areas there is only a narrow gap between the best and worst performers. One such area is starting a business, which involves the same bottlenecks in all locations. The time required differs by only 1.5 days between Astana, with the fastest process (8.5 days), and Aktobe, East Kazakhstan (Oskemen) and Kostanay, with the slowest (10 days). But the overall time requirement is relatively high by global comparison. Among the 190 economies ranked by *Doing Business*, Astana would

There is room to improve the impact of recent regulatory reform efforts by focusing on implementation across the country.

be only the 60th fastest place to start a business. While the capital city outperforms the Russian Federation (9.8 days), it lags behind Afghanistan (7 days). Some steps are particularly long: value added tax (VAT) registration alone takes 7 calendar days. This step depends on the State Revenue Committee, which abides by the legal time limit for reviewing applications. Performance also varies little in the area of registering property, but here all locations would rank among the top 20 economies globally.

Finally, doing business remains procedurally complex across Kazakhstan by global comparison. Compared with averages for both Europe and Central Asia and OECD high-income economies, Kazakhstan has a greater distance to go in closing the gap with global best practices on the number of procedures for starting a business, dealing with construction permits and getting electricity (figure 1.5). Yet doing business is also relatively inexpensive in Kazakhstan. The cost to register property, at only 0.1% of the property value, puts the country at number 6 in the global ranking on this cost indicator. And all eight Kazakhstani locations would rank among the top 20% of economies worldwide on the cost to start a business, thanks to minimal fees for registering a small or medium-size enterprise. South Kazakhstan (Shymkent), where business registration involves no private third parties and company seals can be obtained swiftly and inexpensively, would be number 7 in the global ranking.

FIGURE 1.5 Dealing with business regulation in Kazakhstan is relatively complex but inexpensive



Source: Doing Business database.

Note: The data are averages for the eight locations benchmarked in Kazakhstan, for the economies of Europe and Central Asia (ECA) and for OECD high-income economies. The distance to frontier score shows how far a location is from the best performance achieved by any economy on each *Doing Business* indicator. The distance to frontier score is normalized to range from 0 to 100, with 100 representing the frontier of best practices (the higher the score, the better). For more information, see the chapter "About *Doing Business* and *Doing Business in Kazakhstan 2017*" and the data notes.

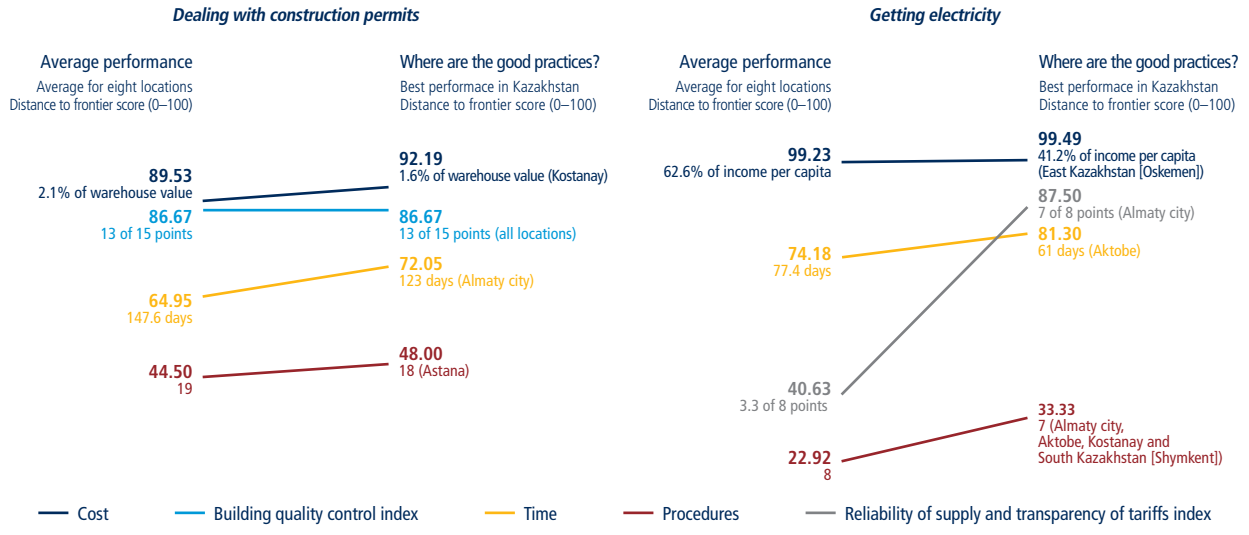
THE WAY FORWARD

Global benchmarking exercises like *Doing Business* inspire governments to reform. Comparisons within a country may be even stronger drivers of reform—because they make it more difficult for local governments to justify more burdensome processes for doing business in their region or city than in neighboring locations.

Almaty city, historically the main business center in Kazakhstan, has been faster to implement regulatory reforms than other locations have been. In the area of getting electricity, for example, Almaty city is the only location where the authorization to carry out the ground works can be requested online. The former capital city was also an early starter in monitoring electricity outages and using automated tools to restore service. Astana too is often selected to pilot reforms. In construction permitting, for example, Astana is the only location other than Almaty city that has fully implemented the one-stop shop combining the issuance of technical conditions and the architectural planning assignment into a single step.

But local good practices can be found across Kazakhstan. Providing an electricity connection as quickly as in Aktobe (61 days) and at the cost in East Kazakhstan (Oskemen) (41.2% of income per capita) would give Kazakhstan a DTF score of 75.41 on the ease of getting electricity—similar to the one of 68th ranked Croatia (DTF score of 76.25) and ahead of Israel (DTF score of 75.20) (figure 1.6). Reducing the procedures for construction permitting to the number in Astana (18) and lowering the cost to that in Kostanay (1.6% of the warehouse value) would

FIGURE 1.6 With good practices to be found within Kazakhstan, locations can learn from one another—especially in two regulatory areas



Source: Doing Business database.

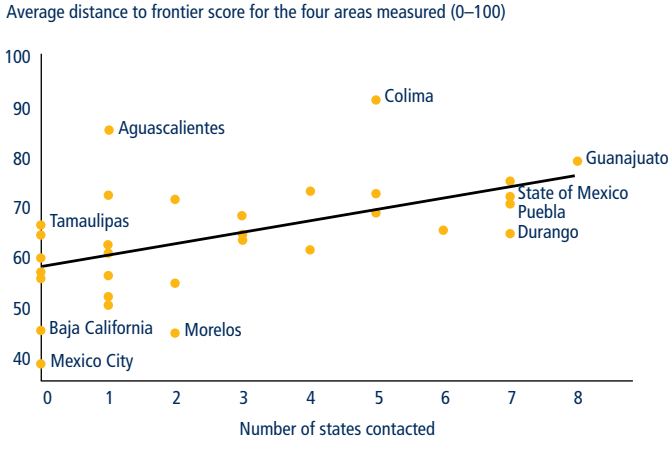
Note: The distance to frontier score shows how far a location is from the best performance achieved by any economy on each *Doing Business* indicator. The distance to frontier score is normalized to range from 0 to 100, with 100 representing the frontier of best practices (the higher the score, the better). For more information, see the chapter "About *Doing Business* and *Doing Business in Kazakhstan 2017*" and the data notes.

give the country a DTF score of 74.72 on the ease of dealing with construction permits—similar to the one of 49th ranked Austria (DTF score of 74.96) and ahead of Canada (DTF score of 73.66).

The good news is that there is no need to reinvent the wheel: locations can achieve tangible improvements by introducing measures already successfully implemented elsewhere in Kazakhstan. Sharing the same national legal and regulatory framework makes it easier to replicate local good practices. Small administrative improvements requiring no major regulatory changes can make a big difference in the life of a small or medium-size firm (table 1.2).

Peer-to-peer learning can facilitate the sharing of knowledge and provide opportunities for local authorities to lobby the national government for nationwide regulatory reforms advancing the agenda for the country as a whole. Some countries have built a strong track record in peer-to-peer learning, with *Doing Business* indicators and good practices providing a framework for discussion. One is Mexico, where the Federal Commission for Regulatory Improvement (Cofemer) organizes a biannual conference allowing every state to share its experience in improving regulation. Peer learning also takes place when local policy makers visit neighboring states and cities. Not surprisingly, data show that the states making a greater effort to maintain a dialogue with their peers also have a better regulatory environment as measured by *Doing Business* (figure 1.7).

FIGURE 1.7 Mexican states doing more to maintain a dialogue with their peers have a better business regulatory environment



Source: Doing Business database, based on data obtained in November 2013 during consultative meetings with authorities from Mexican states.

Note: The correlation between the distance to frontier score and the number of states contacted by other states is 0.53, and the relationship is significant at the 1% level.

TABLE 1.2 Summary of reform recommendations to improve the ease of doing business in Kazakhstan

Starting a business		
Good practices indentified	In Astana most new firms register their business directly through the e-government (egov) portal rather than going to a Government for Citizens center or seeking the assistance of a third party. This makes starting a business less procedurally complex in Astana than in the other locations. Moreover, since there is no fee for business registration, all eight Kazakhstani locations would rank among the 20% of economies globally with the most affordable business entry.	
What can be improved?	**Relevant institutions and stakeholders**	
	National	**Local**
Develop a communication strategy to publicize reforms	Ministry of Justice	Department of Justice; Entrepreneurs Service Centers
Enhance the egov portal with additional services	Government for Citizens state corporation; Ministry of Information and Communication; Public Services Development Department	Local banks; local insurance companies
Allow simultaneous company and value added tax (VAT) registration and abolish the need to visit a notary	Ministry of Finance	State Revenue Committees
Dealing with construction permits		
Good practices identified	In Almaty city and Astana the municipal Department of Architecture is a one-stop shop delivering the spatial planning guidelines and utility connection requirements in one package. This reflects effective collaboration between municipal authorities and utilities as well as clearly delineated responsibilities for issuing approvals, clearances and the relevant documents—resulting in a more efficient construction permitting process in these two locations.	
What can be improved?	**Relevant institutions and stakeholders**	
	National	**Local**
Expand the scope of online services in construction permitting	Administration of State Architectural and Construction Control (GASK)	Department of Architecture; local branch of the Administration of State Architectural and Construction Control (GASK)
Improve the functionality of the one-stop shops		Department of Architecture; water and sewerage utility companies
Integrate spatial planning guidelines and utility supply information into online platforms		Department of Architecture; water and sewerage utility companies
Streamline project approval requirements	Single-Window Online Platform (epsd.kz)	Department of Architecture; water and sewerage utility companies
Introduce smarter time limits for better compliance	State Expert Examination Agency (Gosexpertiza)	
Enhance risk-based inspection mechanisms	Administration of State Architectural and Construction Control (GASK)	Local branch of the Administration of State Architectural and Construction Control (GASK)
Introduce mandatory insurance requirements to cover structural defects	Ministry of National Economy	
Prevent corruption risks	Administration of State Architectural and Construction Control (GASK)	Department of Architecture; local branch of the Administration of State Architectural and Construction Control (GASK)

(continued)

TABLE 1.2 Summary of reform recommendations to improve the ease of doing business in Kazakhstan *(continued)*

Getting electricity		
Good practices identified	In Aktobe, Almaty city, Karagandy, Kostanay and South Kazakhstan (Shymkent) the authorization for ground works is issued in four days or less. Among these locations, Almaty city has the easiest process because it can be completed online. In the other locations entrepreneurs must visit the relevant public authority in person to apply for and receive the clearance. Compared with distribution utilities elsewhere in Kazakhstan, the utility in Aktobe is more efficient in issuing the technical conditions for a new connection, conducting the inspection of completed works and issuing the relevant postinspection documents. Its greater efficiency can be attributed to better internal coordination. In Aktobe and Pavlodar there is better coordination between distribution utilities and electricity suppliers. The final step in getting an electricity connection—the issuing and signing of the supply contract and energizing of the connection—takes less time in these two locations than in the others.	
What can be improved?	**Relevant institutions and stakeholders**	
	National	**Local**
Improve workflow within distribution utilities and between the utilities and suppliers		Distribution utilities; electricity suppliers
Improve the coordination between distribution utilities, municipal departments and other utilities		Department of Architecture; Department of Communal Services, Passenger Transport and Roads (or equivalent); cadastral authority issuing the scheme of the connection route (where required);[a] distribution utilities; utilities responsible for such services as gas, water, heating and telecommunications
Streamline the approval processes		Department of Architecture; Department of Communal Services, Passenger Transport and Roads (or equivalent); distribution utilities; utilities responsible for such services as gas, water, heating and telecommunications
Further simplify issuance of the clearance for ground works	Administration of State Architectural and Construction Control (GASK)	Department of Architecture;[b] Department of Communal Services, Passenger Transport and Roads (or equivalent); Department of Land Relations (where applicable); local branch of the Administration of State Architectural and Construction Control (GASK)
Streamline inspections of external works		Distribution utilities; private companies responsible for delivering the "expert opinion"
Registering property		
Good practices identified	Six locations—Almaty city, East Kazakhstan (Oskemen), Karagandy, Kostanay, Pavlodar and South Kazakhstan (Shymkent)—outperform their peers on the ease of registering property. The reason is that the Department of Justice in these locations is able to complete property registrations within the legally established time limit. But all eight Kazakhstani locations would rank among the economies with the fastest and least costly processes for registering property, thanks to online services and low property registration fees.	
What can be improved?	**Relevant institutions and stakeholders**	
	National	**Local**
Make information on cadastral services publicly available and establish a dedicated complaint mechanism for the cadastre	Department of Automated Information System of the State Land Cadastre and Technical Support; Directorate of Land Cadastre and Technical Survey of Real Estate; Government for Citizens state corporation	Government for Citizens centers; local branch of the Directorate of Land Cadastre and Technical Survey of Real Estate
Make property ownership information publicly available	Government for Citizens state corporation; Ministry of Justice	Department of Justice; Government for Citizens centers
Strengthen the infrastructure of the land administration system	Department of Automated Information System of the State Land Cadastre and Technical Support; Directorate of Land Cadastre and Technical Survey of Real Estate; Government for Citizens state corporation; Ministry of Justice	Department of Justice; Government for Citizens centers; local branch of the Directorate of Land Cadastre and Technical Survey of Real Estate
Establish a state guarantee and make statistics on first-instance land disputes publicly available	Government for Citizens state corporation; Ministry of Justice	Specialized Inter-district Economic Court
Expand geographic coverage	Department of Automated Information System of the State Land Cadastre and Technical Support; Directorate of Land Cadastre and Technical Survey of Real Estate; Government for Citizens state corporation	Local branch of the Directorate of Land Cadastre and Technical Survey of Real Estate

Source: Doing Business database.

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

a. Astana Kala Kurylys Monitoring; Karagandy City Cadastre Center LLC; and RGP Gosgradocadastre in Pavlodar (local branch). In East Kazakhstan (Oskemen) the scheme of the connection route is prepared by the Department of Architecture.

b. In Astana the Department of Permits for Excavations of the City Landscape is responsible for issuing excavation permits.

In Kazakhstan one important cross-cutting theme is the need for closer coordination across municipal departments, as well as between municipal departments and the other institutions involved, such as utilities and cadastral authorities. Take the example of getting electricity. In Astana, East Kazakhstan (Oskemen), Karagandy and Pavlodar the private company responsible for designing the connection first needs to obtain the scheme of the connection route ensuring that the design will not interfere with the communication lines of other utilities (gas, water, heating, telecommunications). With close coordination between the distribution utility, cadastral authorities and the relevant municipal departments, this scheme could be provided together with the technical conditions issued by the distribution utility, speeding up the connection process.

Coordination could also be improved in construction permitting, in the approval process for the plan for engineering networks. This plan is supposed to be approved by a commission representing the utility companies and the Department of Architecture of the respective municipality. In practice, however, a lack of coordination between the entities responsible for approving the plans means that the builder has to apply to each one separately. Because a private firm performs a separate review of the engineering and architectural plans, this approval procedure could even be eliminated.

At the national level, there is room to improve the impact of recent regulatory reform efforts by focusing on implementation across the country. For example, many new companies obtain a company seal even though this requirement was eliminated at the beginning of 2015. An effective communication strategy could help ensure that reforms do not go unnoticed, remaining on the books without being implemented.

Other recent reforms have yet to bear fruit, such as some relating to the use of the e-government (egov) web portal for starting a business or getting electricity. Many entrepreneurs do not know how to use all the services the portal provides. Seeking advice from an attorney or the local Government for Citizens center before proceeding with online business registration remains a common practice. And even where applications for a new electricity connection can be submitted online or by email, customers usually submit their application in person, at the utility's office. For a government introducing new online services, some of the main challenges are a poor public understanding of the services, the lack of a sense of ownership among those affected by the changes, a general inertia (or lack of support) and weak transmission channels. More efforts need to be made to ensure proper use of such services. A good practice is to pilot a reform in one location before rolling it out across the country, to allow time to gather adequate feedback from the first users and fine-tune the new system.

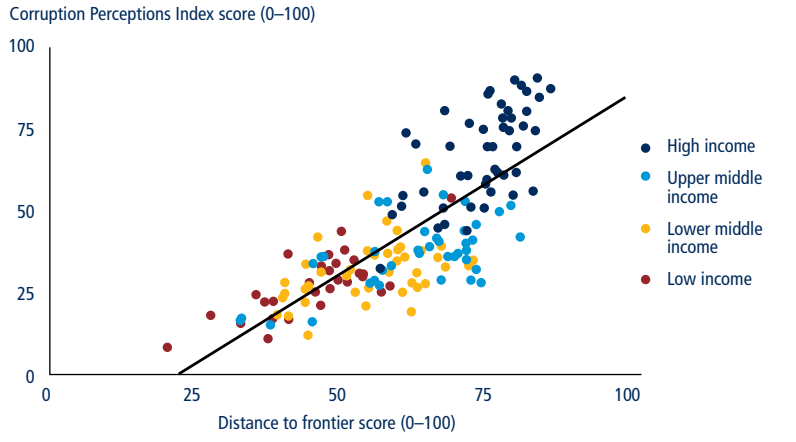
Another cross-cutting theme is the opportunity to make better use of online platforms to reduce regulatory burdens. In dealing with construction permits, for example, only 4 of the 18–19 procedures required can be completed online. After construction is completed, builders have to make separate visits to the Administration of State Architectural and Construction Control (GASK) and to the Department of Architecture to submit the "Act of Acceptance," a form of occupancy certificate. Incorporating these procedures into the egov portal would eliminate the need for builders to go to these agencies in person.

In areas where even the best practices in Kazakhstan still are not globally competitive, the country could look to external examples for inspiration—such as for reducing procedural complexity in starting a business, dealing with construction permits or getting electricity. For example, getting a new electricity connection in Kazakhstan requires collecting approvals from various municipal departments and multiple utilities for the scheme of the connection route, the project design or the excavation permit—imposing a burden on the entrepreneur. By contrast, in Sweden, Switzerland and Taiwan, China, an entrepreneur needs only to submit a connection application to the utility—which is then responsible for preparing the design of the connection, obtaining all authorizations needed and completing the connection works. Kazakhstan could streamline the process by having one single institution coordinate the collection of approvals. This could be done by convening all the parties in a single meeting or by circulating the documents among them in a timely manner. Reducing the number of personal interactions not only increases efficiency; it also reduces opportunities for corruption (figure 1.8).

Similar opportunities exist in the business start-up process. As part of this process, any entrepreneur registering for value added tax (VAT) must visit the State Revenue Committee in person. Kazakhstan could follow the example of Singapore, which combines VAT registration and company registration in a single procedure. No in-person visit to the tax authority is required—because it is simply assumed that going through a fraudulent registration is not in the interest of any business. In fact, Kazakhstan very recently passed a law introducing changes to the VAT registration process.[16] As of May 1, 2017, a company may submit its application for VAT registration electronically. The law also abolishes the requirement for the company's CEO to have a photo taken as part of the application process as well as the need to submit documents confirming the company's location. Ensuring proper implementation of the new law will be key to streamlining the business registration process in practice.

Over the past few years the government of Kazakhstan has established an excellent track record of passing new laws and continually improving regulation.

FIGURE 1.8 Higher levels of regulatory efficiency and quality are associated with lower levels of corruption



Sources: Doing Business database; Corruption Perceptions Index 2015, Transparency International, https://www.transparency.org/cpi2015/.

Note: The distance to frontier score shows how far an economy is from the best performance achieved by any economy on each *Doing Business* indicator. Higher scores indicate greater regulatory efficiency and quality. The sample includes 165 economies covered by both *Doing Business* and the Corruption Perceptions Index 2015. Relationships are significant at the 1% level after controlling for income per capita.

And there is more to come. For example, Astana and South Kazakhstan (Shymkent) started to systematically monitor power outages in 2016. This should help ensure a reliable supply of electricity to small and medium-size enterprises. In addition, the cadastre has been making efforts since early 2017 to increase its transparency and improve the overall quality of data in the land administration system.

Designing and implementing a reform plan to improve the business climate is a challenging task—because it requires the participation of multiple government agencies as well as coordination efforts and technical capacity. But business regulation reforms can have large payoffs for sustainable and inclusive growth. In Kazakhstan, sharing successful reform experiences with all regions can play a crucial part. As the country moves ahead with policy and institutional changes to grant greater powers to local governments—in line with a strategy of boosting local governance and public accountability—the new wave of modernization targeting multiple areas of regulation will help strengthen the business environment and promote higher productivity for all entrepreneurs, regardless of where in the country they have set up their business.[17]

NOTES

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13. World Development Indicators database, World Bank, http://data.worldbank.org.
14. Data for Almaty city are as of June 2016. For more details, see the chapter "About *Doing Business* and *Doing Business in Kazakhstan 2017*," and the data notes.
15. The reliability of supply and transparency of tariffs index measures the reliability of the power supply and the transparency of consumption tariffs. The data on power outages used to compute the index are for 2015.
16. Law of the Republic of Kazakhstan 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 (no. 49-VI), February 27, 2017.
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Doing Business in Kazakhstan

REPORT METHODOLOGY AND SCOPE

AT A GLANCE

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

Full report: www.doingbusiness.org/kazakhstan

Doing Business in Kazakhstan 2017 focuses on business regulations and their enforcement in four *Doing Business* areas. It goes beyond Almaty city to benchmark seven additional Kazakhstani locations—Aktobe, Astana, East Kazakhstan (Oskemen), Karagandy, Kostanay, Pavlodar and South Kazakhstan (Shymkent).

This report contains data current as of December 2016 and includes comparisons with Almaty city and other economies based on data from *Doing Business 2017: Equal Opportunity for All*.

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 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; includes a gender dimension to account for any gender discriminatory practices.

Getting electricity

Records the procedures, time and cost required for 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.

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.

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; includes a gender dimension to account for any gender discriminatory practices.

Seven locations beyond Almaty city: AKTOBE | ASTANA | EAST KAZAKHSTAN | KARAGANDY | KOSTANAY | PAVLODAR | SOUTH KAZAKHSTAN

Advantages and limitations of the *Doing Business* methodology

Focus on the law
Makes the indicators "actionable" because the law is what policy makers can change, but allows less ability to reflect the degree of compliance with the law.

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, but allows less ability to capture variation in experiences among entrepreneurs.

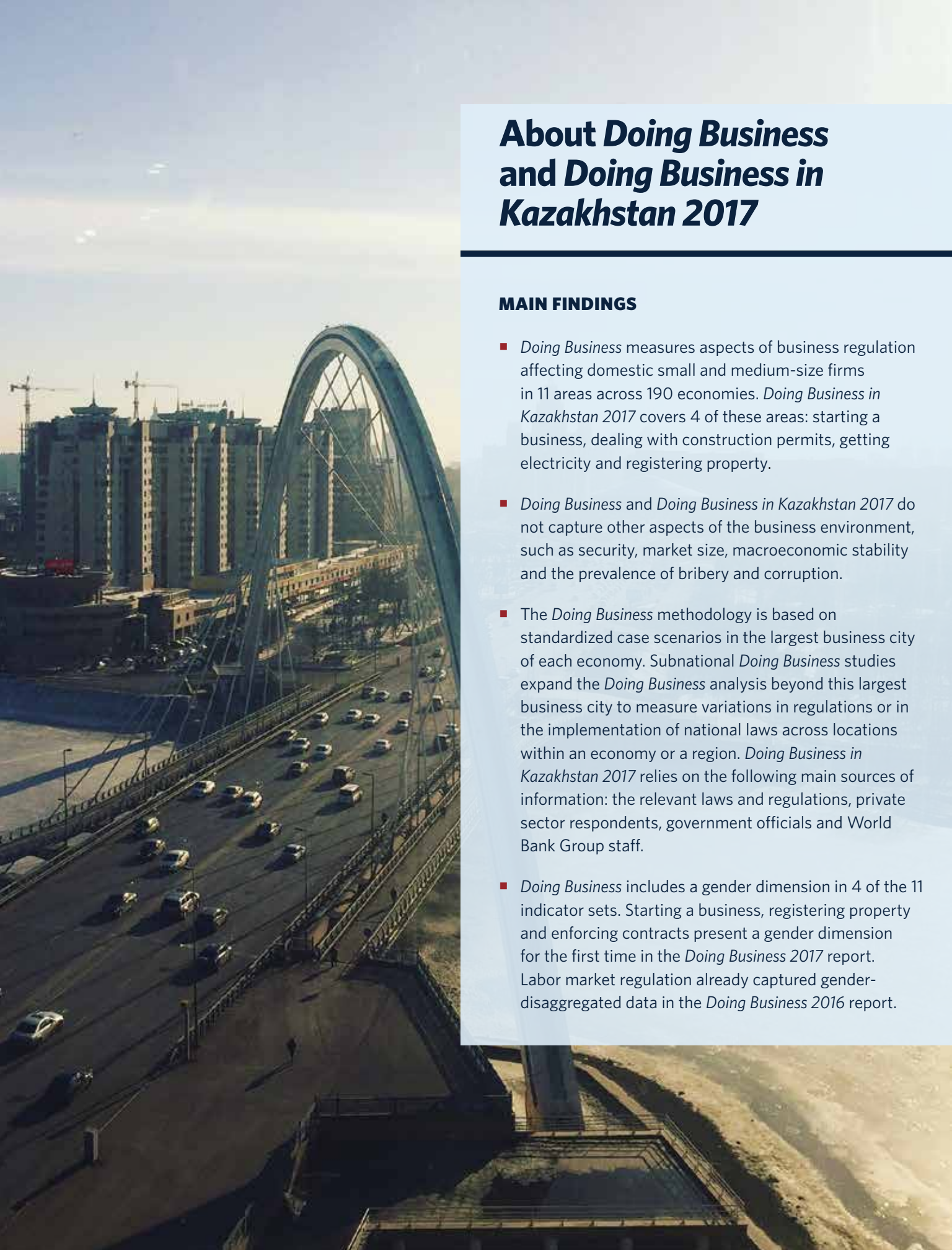
Focus on domestic and formal sector
Keeps attention on the formal sector, where firms are most productive, but does not reflect the informal sector or foreign firms.

***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

WORLD BANK GROUP

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 2017*

MAIN FINDINGS

- *Doing Business* measures aspects of business regulation affecting domestic small and medium-size firms in 11 areas across 190 economies. *Doing Business in Kazakhstan 2017* covers 4 of these areas: starting a business, dealing with construction permits, getting electricity and registering property.
- *Doing Business* and *Doing Business in Kazakhstan 2017* do not capture other aspects of the business environment, such as security, market size, macroeconomic stability and the prevalence of bribery and corruption.
- The *Doing Business* methodology is based on standardized case scenarios in the largest business city of each economy. Subnational *Doing Business* studies expand the *Doing Business* analysis beyond this largest business city to measure variations in regulations or in the implementation of national laws across locations within an economy or a region. *Doing Business in Kazakhstan 2017* relies on the following main sources of information: the relevant laws and regulations, private sector respondents, government officials and World Bank Group staff.
- *Doing Business* includes a gender dimension in 4 of the 11 indicator sets. Starting a business, registering property and enforcing contracts present a gender dimension for the first time in the *Doing Business 2017* report. Labor market regulation already captured gender-disaggregated data in the *Doing Business 2016* report.

The foundation of *Doing Business* is the notion that economic activity, particularly private sector development, benefits from clear and coherent rules: rules that set out and clarify property rights and facilitate the resolution of disputes, and rules that enhance the predictability of economic interactions and provide contractual partners with essential protections against arbitrariness and abuse. Such rules are much more effective in shaping the incentives of economic agents in ways that promote growth and development where they are reasonably efficient in design, are transparent and accessible to those for whom they are intended and can be implemented at a reasonable cost. The quality of the rules also has a crucial bearing on how societies distribute the benefits and finance the costs of development strategies and policies.

Good rules are a key to social inclusion. Enabling growth—and ensuring that all people, regardless of income level, can participate in its benefits—requires an environment where new entrants with drive and good ideas can get started in business and where good firms can invest and expand. The role of government policy in the daily operations of domestic small and medium-size firms is a central focus of the *Doing Business* data. The objective is to encourage regulation that is designed to be efficient, accessible to all and simple to implement. Onerous regulation diverts the energies of entrepreneurs away from developing their businesses. But regulation that is efficient, transparent and implemented in a simple way facilitates business expansion and innovation, and makes it easier for aspiring entrepreneurs to compete on an equal footing.

Doing Business measures aspects of business regulation for domestic firms through an objective lens. The focus of the project is on small and medium-size companies in the largest business city of an economy. Based on standardized case studies, *Doing Business* presents quantitative indicators on the regulations that apply to firms at different stages of their life cycle. The results for each economy can be compared with those for 189 other economies and over time.

FACTORS MEASURED BY *DOING BUSINESS* AND *DOING BUSINESS IN KAZAKHSTAN 2017*

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 (table 2.1). *Doing Business* also measures features of labor market regulation. Although the *Doing Business 2017* report does not present rankings of economies on the labor market regulation indicators or include the topic in the aggregate distance to frontier score or ranking on the ease of doing business, it does present the data for these indicators.

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 or a region. Projects are undertaken at the request of governments.

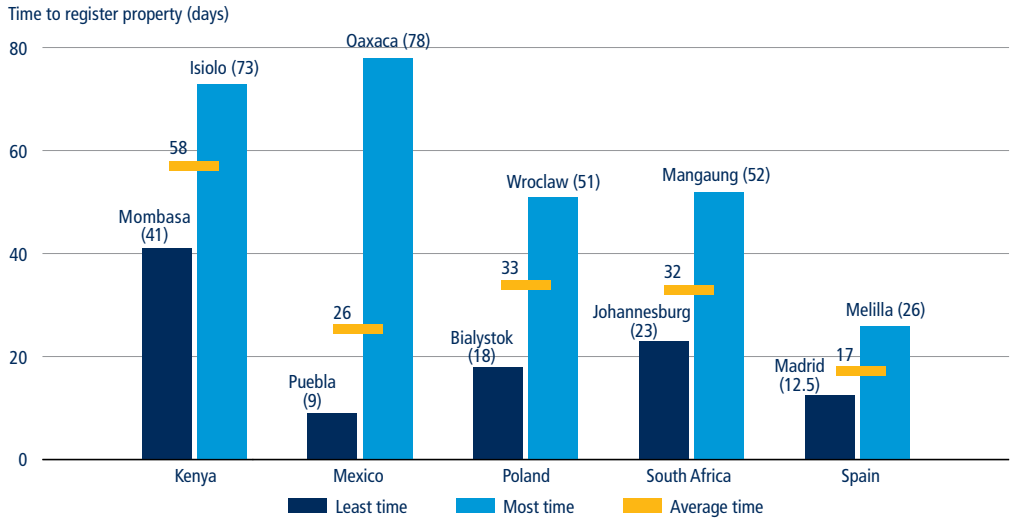
Data collected by subnational studies over the past three years show that there can be substantial variation within an economy (figure 2.1). In Mexico in 2016, for example, registering a property transfer took as few as 9 days in Puebla and as many as 78 in Oaxaca. Indeed, within the same economy one 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.

While subnational *Doing Business* studies generate disaggregated data on business

TABLE 2.1 What *Doing Business* measures—11 areas of business regulation

Indicator set	What is measured
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 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
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 post-filing processes
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
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 counties 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.

regulation, they go beyond a data collection exercise. They have been shown to be strong motivators for regulatory reform at the local level:

- Results can be benchmarked both locally and globally because the data produced are comparable across locations within the economy and internationally. Comparing locations within the same economy—which share the same legal and regulatory framework—can be revealing: local officials struggle to explain why doing business is more challenging in their jurisdiction than in a neighboring one.
- Highlighting 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 yield discussions about 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 438 locations in 65 economies, including Colombia, the Arab Republic of Egypt, Italy, the Philippines and Serbia. Seventeen economies—including Indonesia, Kenya, Mexico, Nigeria, the Philippines and the Russian Federation—have undertaken two or more rounds of subnational data collection to measure progress over time. This year a subnational study was completed in Afghanistan and last year subnational studies were completed in Kenya, Mexico and the United Arab Emirates. Ongoing studies include those in Colombia (32 cities) and three European Union member states (22 cities in Bulgaria, Hungary and Romania).

Doing Business in Kazakhstan 2017 is the first report of the subnational *Doing Business* series in Kazakhstan. This first edition of *Doing Business in Kazakhstan* covers seven locations—Aktobe, Astana, East Kazakhstan (Oskemen) Karagandy, Kostanay, Pavlodar and South Kazakhstan (Shymkent)—in addition to Almaty city.

How the indicators are selected

The choice of the 11 sets of *Doing Business* indicators has been guided by economic research and firm-level data, particularly data from the World Bank Enterprise Surveys.[1] These surveys provide data highlighting the main obstacles to business activity as reported by entrepreneurs in more than 130,000 firms in 139 economies. Access to finance and access to electricity, for example, are among the factors identified by the surveys as important to businesses—inspiring the design of the *Doing Business* indicators on getting credit and getting electricity.

The design of the *Doing Business* indicators has also been informed by theoretical insights gleaned from extensive research and the literature on the role of institutions in enabling economic development. 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, market capitalization in stock exchanges and private credit as a percentage of GDP.[2]

Some *Doing Business* indicators give a higher score for more regulation and

better-functioning institutions (such as courts or credit bureaus). Higher scores are given for stricter disclosure requirements for related-party transactions, for example, in the area of protecting minority investors. 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 areas measured in *Doing Business in Kazakhstan 2017* were selected in collaboration with the government of Kazakhstan, on the basis of their relevance to the country context and ability to show variation across the locations covered. The benchmarked locations are those that meet minimum standards for measurement—sufficient economic activity within the locale, population size and demographic difference from the rest of the sample—and showed the greatest interest in participating in the subnational *Doing Business* study.

The distance to frontier and ease of doing business ranking

To provide different perspectives on the data, *Doing Business* presents data both for individual indicators and for two aggregate measures: the distance to frontier score and the ease of doing business ranking. The distance to frontier score aids in assessing the absolute level of regulatory performance and how it improves over time. This measure shows the distance of each economy to the "frontier," which represents the best performance observed on each of the indicators across all economies in the *Doing Business* sample since 2005 or the third year in which data were collected for the indicator. The frontier is set at the highest possible value for indicators calculated as scores, such as the strength of legal rights index or the quality of land administration index. This underscores the gap between a particular economy's performance and the best performance at any point in time and helps in assessing the absolute change in the economy's regulatory environment over time as measured by *Doing Business*. The distance to frontier score is first computed for each topic and then averaged across all topics to compute the aggregate distance to frontier score. The ranking on the ease of doing business complements the distance to frontier score by providing information about an economy's performance in business regulation relative to the performance of other economies as measured by *Doing Business*.

Doing Business in Kazakhstan 2017 includes rankings of the eight locations surveyed on four topics: starting a business, dealing with construction permits, getting electricity and registering property. The rankings presented are based on the distance to frontier score. The distance to frontier score captures the gap between a location's performance and a measure of best practices across the areas covered by the report. For starting a business, for example, New Zealand has both the smallest number of procedures required (one) and the shortest time to fulfill them (0.5 days). Slovenia has the lowest cost (0.0), and Australia, Colombia and 111 other economies have no paid-in minimum capital requirement (table 2.2).

Doing Business uses a simple averaging approach for weighting component indicators, calculating rankings and determining the distance to frontier score.[3] Each topic covered by *Doing Business* relates to a different aspect of the business regulatory environment. The distance to frontier scores and rankings of each economy vary, often considerably, across topics, indicating that a strong performance by an economy in one area of regulation can coexist with weak performance in another. One way to assess the variability of an economy's regulatory performance is to look at its distance to frontier scores across topics. Morocco, for example, has an overall distance to frontier score of 67.50, meaning that it is two-thirds of the way from the worst to the best performance. Its distance to frontier score is 92.34 for starting a business, 83.51 for paying taxes and 81.12 for trading across borders. At the same time, it has a distance to frontier score of 33.89 for resolving insolvency, 45 for getting credit and 53.33 for protecting minority investors.

Calculation of the distance to frontier score

Calculating the distance to frontier 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 36 component indicators y (except for the total tax rate) is rescaled using the linear transformation $(\text{worst} - y)/(\text{worst} - \text{frontier})$. In this formulation the frontier represents the best performance on the indicator across all economies since 2005 or the third year in which data for the indicator were collected. Both the best performance and the worst 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 set the frontier for an indicator even though it is no longer at the frontier in a subsequent year.

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 nine days), the worst performance

TABLE 2.2 What is the frontier in regulatory practice in the areas measured by *Doing Business in Kazakhstan 2017*?

Topic and indicator	Who set the frontier	Frontier	Worst 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 at the frontier as of June 1, 2016.	5	30[a]
Time (days)	Singapore	26	373[b]
Cost (% of warehouse value)	No economy was at the frontier as of June 1, 2016.	0.0	20.0[b]
Building quality control index (0–15)	Luxembourg; New Zealand	15	0[d]
Getting electricity			
Procedures (number)	Germany; Republic of Korea[e]	3	9[a]
Time (days)	Republic of Korea; St. Kitts and Nevis	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[f]	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 attained the frontier 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 111 economies also have a paid-in minimum capital requirement of 0.
d. Worst performance is the worst value recorded.
e. In 14 other economies it also takes only three procedures to get an electricity connection.
f. Another 23 economies also have a score of 8 on the reliability of supply and transparency of tariffs index.

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 and the time and cost indicators), and the 99th percentile is used for number of procedures (figure 2.2).

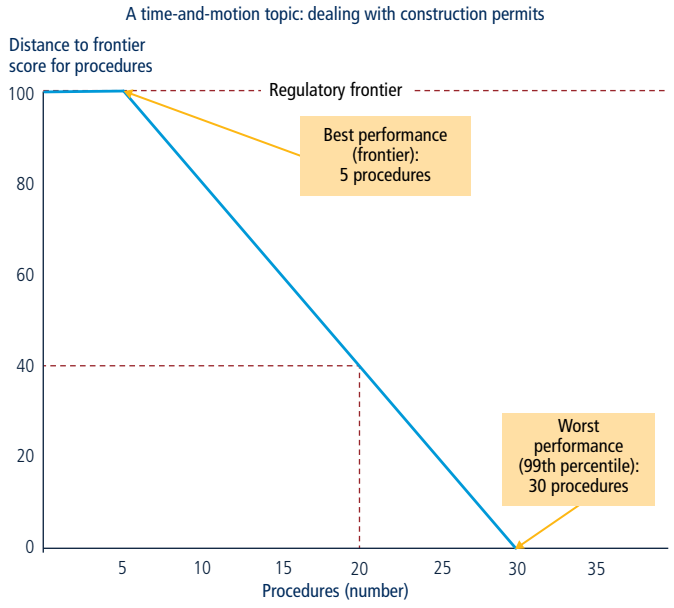
In the second step, for each economy the scores obtained for individual indicators are aggregated through simple averaging for each topic for which performance is measured and ranked; for the locations in *Doing Business in Kazakhstan 2017*, this is done for starting a business, dealing with construction permits, getting electricity and registering property. 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.

A location's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. All distance to frontier calculations are based on a maximum of five decimals. However, indicator ranking calculations and the ease of doing business ranking calculations are based on two decimals.

FACTORS NOT MEASURED BY *DOING BUSINESS* AND *DOING BUSINESS IN KAZAKHSTAN 2017*

Many important policy areas are not covered by *Doing Business*; even within

FIGURE 2.2 How are distance to frontier scores calculated for indicators? An example



Source: Doing Business database.

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

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 these indicators 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. And while *Doing Business* measures only a few aspects within each area that it covers, business regulation reforms should not focus only on these aspects, because those that it does not measure are also important.

TABLE 2.3 What *Doing Business* does not cover

Examples of areas not covered
Macroeconomic stability
Development of the financial system
Quality of the labor force
Incidence of bribery and corruption
Market size
Lack of security
Examples of aspects not included within the areas covered
In paying taxes, personal income tax rates
In getting credit, the monetary policy stance and the associated ease of logistics
In trading across borders, export or import tariffs and subsidies
In resolving insolvency, personal bankruptcy rules

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 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 other data sources.

ADVANTAGES AND LIMITATIONS OF THE METHODOLOGY

The *Doing Business* methodology is designed to be an easily replicable way to

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, using case scenarios that are common globally	Reduces scope of data; only regulatory reforms in areas measured can be systematically tracked; the case scenarios may not be the most common in a particular economy
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

a. Subnational *Doing Business* studies go beyond the largest business city within a country or region.

benchmark specific aspects of business regulation. 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 infeasible. Nevertheless, where policy makers are interested in generating data at the local level, beyond the largest business city, *Doing Business* has complemented its global indicators with subnational studies. Coverage was extended to the second largest business city in economies with a population of more than 100 million (as of 2013) in *Doing Business 2015*.

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 know what needs to be done or how to comply and may lose considerable time trying to find out. Alternatively, they may deliberately avoid compliance altogether—by not registering for social security, for example. Where regulation is particularly onerous, firms may opt for bribery and other informal arrangements intended to bypass the rules—an aspect that helps explain differences between the de jure data provided by *Doing Business* and the de facto insights offered by World Bank Enterprise Surveys.[5] 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.[6] 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

Doing Business data are based on a detailed reading of domestic laws and regulations as well as administrative requirements. The *Doing Business 2017* 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.

Relevant laws and regulations

Indicators presented in *Doing Business in Kazakhstan 2017* are based on laws and regulations. Besides participating in interviews or filling out written questionnaires, respondents provided references to the relevant laws, regulations and fee schedules, which were collected and analyzed by the *Doing Business in Kazakhstan 2017* team.

For the rest of the data, the team conducted extensive consultations with multiple contributors to minimize measurement error. For some indicators—for example, those on dealing with construction permits—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 in Kazakhstan 2017* represent the median values of several responses given under the assumptions of the standardized case.

Doing Business in Kazakhstan 2017 respondents

More than 300 professionals participated in the study, providing the data that inform the four sets of *Doing Business* indicators included. The subnational *Doing Business* website and the acknowledgments section of this report list the names and credentials of those respondents wishing to be acknowledged. Respondents are professionals who routinely administer or advise on the legal and regulatory requirements in the specific areas covered by *Doing Business in Kazakhstan 2017*, selected on the basis of their expertise in these areas. Because of the focus on legal and regulatory arrangements, most of the respondents are legal professionals, such as lawyers. Architects, engineers, physical planners, contractors and other professionals answer the questionnaires related to dealing with construction permits. Local government officials and representatives of national agencies also provided information that is incorporated into the indicators.

The *Doing Business in Kazakhstan 2017* approach was to work with legal practitioners and other professionals who regularly undertake the transactions involved. Following the standard methodological approach for time-and-motion studies, *Doing Business* 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 estimates for each step are provided by practitioners who have 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. 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 many 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 processes.

Governments and World Bank Group staff

After analyzing laws and regulations and conducting follow-up interviews with *Doing Business in Kazakhstan 2017* respondents, the subnational *Doing Business* team shared preliminary findings of the report with governments and public agencies operating at the national and local levels. Through this process, government authorities had the opportunity to comment on the preliminary data, in meetings with World Bank Group staff as well as in writing. Having public officials discuss and comment on the preliminary results has proven to be an important activity, not only to improve the quality of the report, but also to enhance the dialogue between the local governments and the World Bank Group at the subnational level.

ADDING A GENDER COMPONENT

The *Doing Business 2017* report presents a gender dimension in four of the indicator sets: starting a business, registering property, enforcing contracts and labor market regulation. The first two of these indicator sets are included in *Doing Business in Kazakhstan 2017*.

Doing Business has traditionally assumed that the entrepreneurs or workers discussed in the case studies were men. This was incomplete in not correctly reflecting the *Doing Business* processes as applied to women—which in some economies may be different from those applied to men. The *Doing Business 2017* report began to measure the starting a business process for two case scenarios: one in which all entrepreneurs are men and one in which all entrepreneurs are women. In economies where the processes are more onerous if the entrepreneur is a woman, *Doing Business* now counts the extra procedures applied to the roughly half of the population that is female (for example, obtaining a husband's consent or fulfilling gender-specific requirements for opening a personal bank account when starting a business). Within the registering property indicators, a gender component has been added to the quality of land administration index. This component measures women's ability to use, own and transfer property according to the law. Finally, within the enforcing contracts indicator set, economies are scored on having equal evidentiary weight of women's and men's testimony in court. The labor market regulation indicators have included data on gender components for the past two years. These data include whether nonpregnant

and nonnursing women can work the same night hours as men; whether the law mandates equal remuneration for work of equal value; whether the law mandates nondiscrimination based on gender in hiring; whether the law mandates paid or unpaid maternity leave; the minimum length of paid maternity leave; and whether employees on maternity leave receive 100% of wages.

NOTES

1. Data from the World Bank Enterprise Surveys and *Doing Business* complement each other as two sides of the same coin. They both provide useful information on the business environment of an economy, but in significantly different ways. The scope of *Doing Business* is narrower than the Enterprise Surveys. However, by focusing on actionable indicators related to business regulation, *Doing Business* provides a clear roadmap for governments to improve. *Doing Business* uses standardized case scenarios while the Enterprise Surveys use representative samples. For more on the Enterprise Surveys and the differences between the Enterprise Surveys and *Doing Business*, see the website at http://www.enterprisesurveys.org.
2. These papers are available on the *Doing Business* website at http://www.doingbusiness.org/methodology.
3. 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. In this way each point included in these indexes has the same value independent of the component it belongs to. Indicators for all other topics are assigned equal weights.
4. See Simeon Djankov, Darshini Manraj, Caralee McLiesh and Rita Ramalho, "*Doing Business* Indicators: Why Aggregate, and How to Do It" (World Bank, Washington, DC, 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 indicators 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. Mary Hallward-Driemeier and Lant Pritchett, "How Business Is Done in the Developing World: Deals versus Rules," *Journal of Economic Perspectives* 29, no. 3 (2015): 121–40.
6. Friedrich Schneider, "The Informal Sector in 145 Countries" (Department of Economics, University Linz, Linz, 2005). See also Rafael La Porta and Andrei Shleifer, "The Unofficial Economy and Economic Development," Tuck School of Business Working Paper 2009-57 (Dartmouth College, Hanover, NH, 2008), available at Social Science Research Network (SSRN), http://ssrn.com/abstract=1304760.

Starting a Business

MAIN FINDINGS

- Kazakhstan has steadily streamlined the business start-up process for small and medium-size companies in recent years, with six reforms recorded by *Doing Business* since 2006.
- Across the eight locations benchmarked in this study, starting a business of this size today takes 5.4 procedures and 9.3 days and costs only 0.76% of income per capita on average.
- Kazakhstan's start-up process compares well both globally and regionally on cost, though there is room to make it faster and less cumbersome. Efforts to do so could focus on streamlining the process through the e-government website by merging several procedural steps into one at the time of registration.

Over the past decade the number of active small and medium-size enterprises registered in Kazakhstan grew by more than 80%—from 643,376 in 2007 to 1,174,464 in January 2017.[1] Enterprises in this group accounted for 25.6% of GDP in 2016, still far short of the government's goal of 50%.[2] Fostering entrepreneurship should help boost their contribution, leading to an economy that is more diversified and less vulnerable to cyclical commodity crises.

Efficient and effective business regulations are key to supporting firm creation and productivity. Economies that have an efficient business registration process also tend to have a higher rate of entry by new firms and greater business density.[3] Moreover, where business registration is faster, more businesses tend to register in industries with the strongest potential for growth, such as those experiencing expansionary global demand or technology shifts.[4] Empirical evidence also suggests that more efficient business entry regulations improve firm productivity and macroeconomic performance.[5]

Conversely, higher entry costs are associated with a larger informal sector and a smaller number of legally registered firms.[6] Cumbersome regulations and administrative procedures for starting a business are found to be associated with more opportunities for corruption.[7] Moreover, higher compliance costs cut into firm profits and discourage entrepreneurs, which in turn reduces job creation in the economy.[8]

HOW DOES STARTING A BUSINESS WORK IN KAZAKHSTAN?

Under the laws of Kazakhstan, legal entities whose primary activity is deriving a profit can be established as a state enterprise, a business partnership, a joint stock company or a production cooperative. *Doing Business* focuses on the most common legal form used in the country, the limited liability partnership.

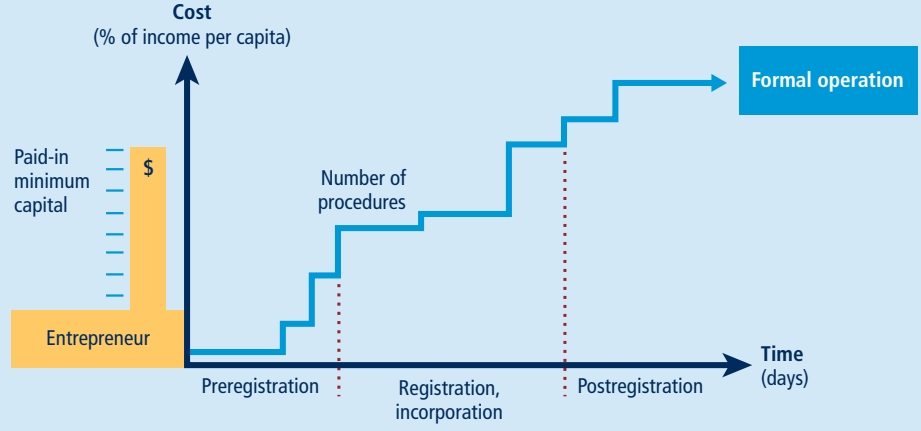
The process of starting a business

The establishment of a limited liability partnership is regulated by several laws, including the Law on State Registration of Legal Entities and Record Registration of Branches and Representative Offices as well as the Tax Code. The process of state registration differs depending on the size of the entity. For small and medium-size companies the process has been steadily streamlined over the past few years (box 3.1). Across the eight locations benchmarked in this study, starting a business of this size today takes 5.4 procedures and 9.3 days and costs only 0.76% of income per capita on average. Kazakhstan's start-up process compares

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?

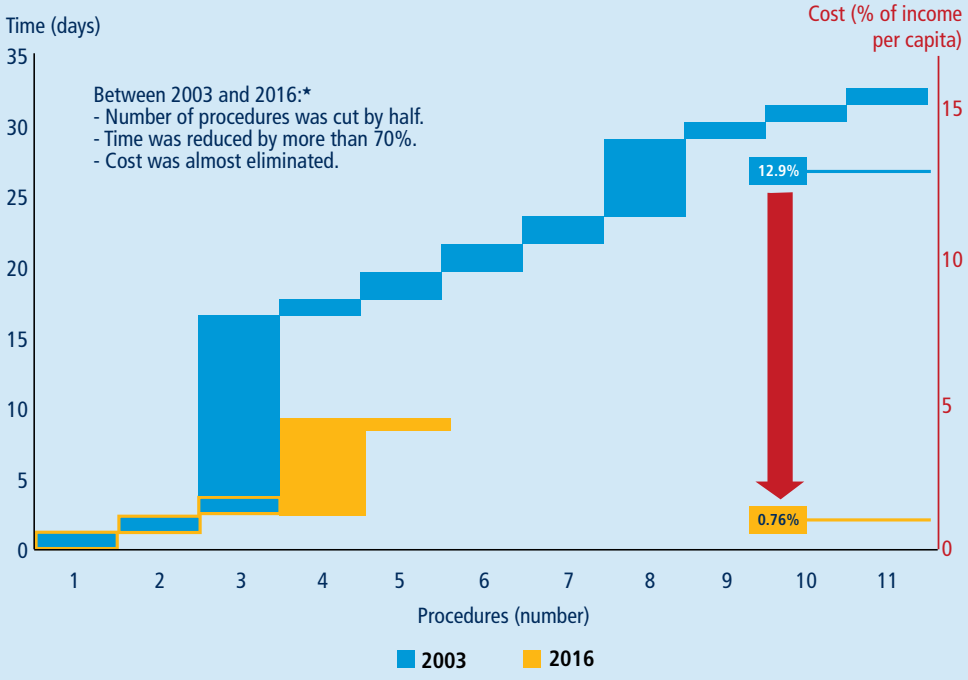


BOX 3.1 Recent regulatory reforms making it easier to start a business in Kazakhstan

An attorney interviewed in Astana in June 2016 confessed that he had lost business recently. In 2015 he was registering a new company every day. A year later he was registering only one a week, despite offering an all-inclusive package with state registration, a company seal and the certificate of registration with the statistical agency for only KZT 20,000 (US$60). The reason? Business start-up has been streamlined to the point where local entrepreneurs no longer need help with the process. The lawyer is now targeting his services almost entirely to foreign investors.

Indeed, starting a business has become much simpler than it was in 2003, when it took 11 procedures, 32 days and 12.9% of income per capita (see figure). The process was so complex that 80% of applications were rejected because of errors in the documents submitted.[a]

Kazakhstan has made big strides since 2003 in improving the process to start a business



Source: Doing Business database

*The data for 2003 are for Kazakhstan as represented by Almaty city, while the data for 2016 are the average for the eight locations benchmarked in this study.

The improvements started in 2009, through a reform simplifying the application package for registration and eliminating the requirement to separately register the business at the local tax office. The minimum capital requirement for small and medium-size enterprises was reduced to KZT 100 (US$0.50) in 2010, then canceled altogether in 2014.[b]

On January 1, 2015, the process was further streamlined. Local small and medium-size enterprises are now exempt from paying registration fees, the legal requirement for a company seal was eliminated, and the time required for electronic registration on the egov web portal dropped from one day to one hour. In addition, the notarization requirement for the memorandum of association, company charter and founders' signatures was abolished.[c]

To support the reform efforts, central and regional governments have carried out a vast media campaign. In the South Kazakhstan region, for example, the Department of Justice organized nearly 150 workshops and 100 roundtable events between the beginning of 2015 and June 2016 to familiarize entrepreneurs with the relevant business regulations. In addition, the city and district departments of the Department of Justice used media outlets to reach out to the broader population—giving 13 radio and 21 television interviews and publishing 78 articles in newspapers. The outreach campaign involved the Government for Citizens state corporation and the local chamber of entrepreneurs.[d]

a. World Bank, *Doing Business 2004: Understanding Regulation* (Washington, DC: World Bank, 2003).
b. Law of the Republic of Kazakhstan on State Registration of Legal Entities and Record Registration of Branches and Representative Offices (no. 269-V), December 29, 2014.
c. World Bank, *Doing Business 2017: Equal Opportunity for All* (Washington, DC: World Bank, 2016).
d. Data from the *Doing Business* database, provided by the Department of Justice of the South Kazakhstan region.

well both globally and regionally on cost, though there is room to make it faster and less cumbersome (figure 3.1).

The first step in starting a business in Kazakhstan is to register the company (figure 3.2). This can be done either electronically using the e-government (egov) portal or in person with the Government for Citizens state corporation or the local Entrepreneurs Service Center.[9] Entrepreneurs can also delegate this registration to an attorney, though using an agent takes longer and adds cost.

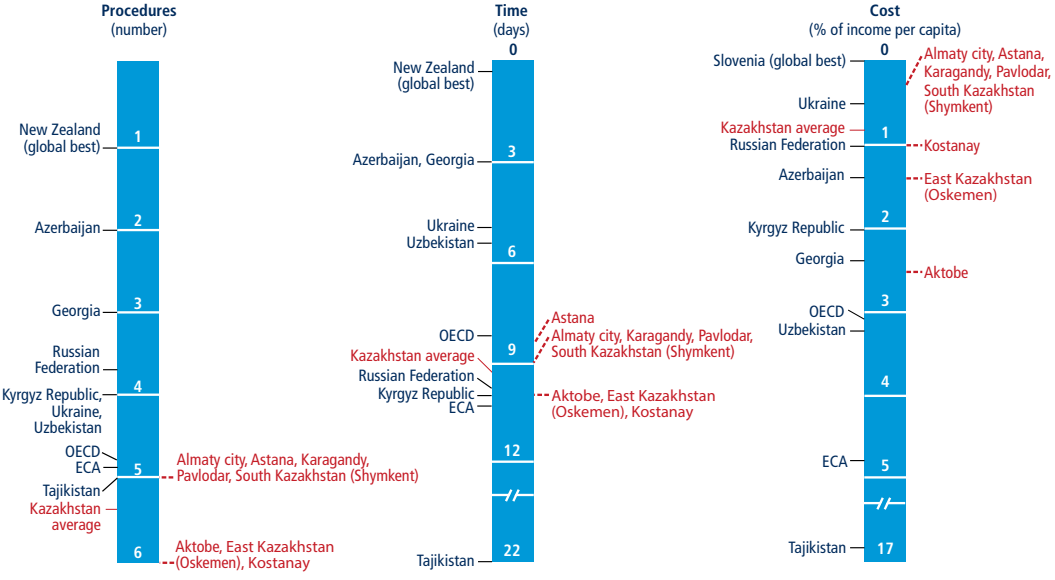
The online application includes the desired company name and the name of the founders and directors. The portal immediately confirms the availability of the company name and issues a unique business identification number. It also automatically notifies the tax authorities and the statistical agency of the registration. The entrepreneur elects a type of legal entity and a tax regime. An applicant unsure about which option to choose can visit the local Entrepreneurs Service Center or Government for Citizens center and get assistance from a trained public servant. Once all the required information has been submitted through the portal, the entrepreneur can print the state registration certificate and the certificate of registration with the statistical agency. There are no fees for the registration.

At this point the company is officially registered but not yet fully operational. The entrepreneur needs to set up a bank account. For this purpose most banks request IDs and signature cards for the authorized signatories as well as a copy of the state registration certificate and the company charter. They are also likely to request an imprint of the company seal on the signature cards. This is one reason that companies continue to have a company seal even though the requirement for one was eliminated by a law taking effect in early 2015 that was aimed at improving the conditions for entrepreneurial activity in Kazakhstan.[10] Until 2015 the company charter needed to be notarized, but this requirement was abolished by the same law. Banks now verify the authenticity of the signatures themselves. The fees to open a bank account range from KZT 2,000 to KZT 5,000 (US$6 to US$15), but most banks waive the fees if the company purchases other services, such as a credit card, or if the banks have agreements with attorneys to waive fees for their clients.

The next step is to get mandatory social insurance to cover employees against accidents during the performance of their duties. This needs to be done within the first 10 days of the month following the date of the state registration.[11] The process of setting up a policy is fast and free. The amount of the monthly premiums for different employees depends on their wages and the risk of their work activities.

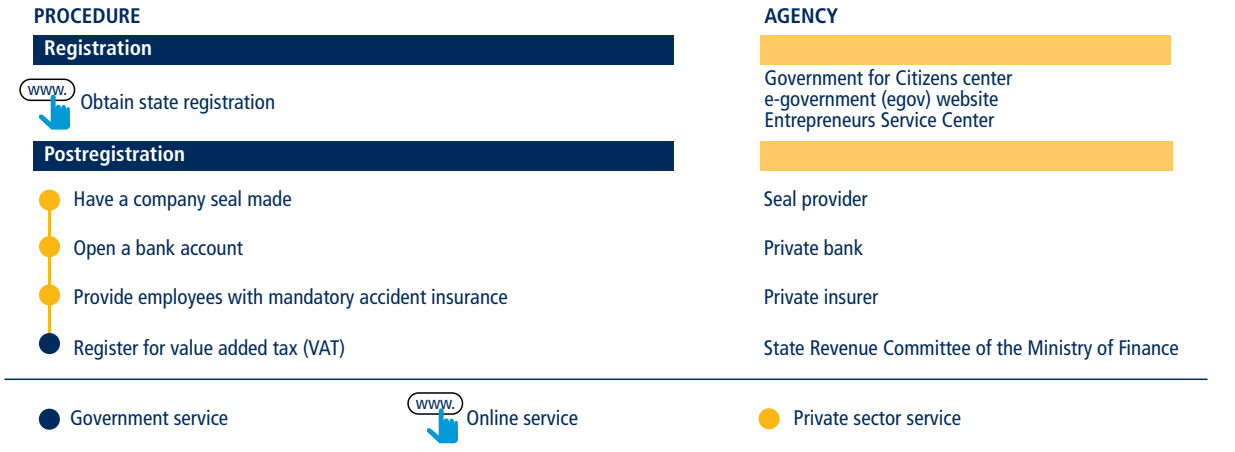
The company can now operate, though one last procedure remains. Within the first 10 days of the month after the company's annual turnover reaches a threshold of KZT 68,070,000 (US$210,000), the company needs to register as a value

FIGURE 3.1 Kazakhstan outperforms comparator economies on the cost to start a business—but not on the number of procedures



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.

FIGURE 3.2 Across Kazakhstan, starting a business requires at least five procedures



Source: Doing Business database.
Note: These procedures are common to all locations benchmarked. Additional requirements may apply in specific locations.

added tax (VAT) payer with the State Revenue Committee of the Ministry of Finance.[12] VAT registration is a burdensome task. The CEO of the company must visit the Ministry of Finance in person so that a photograph can be taken for its records. In addition, the company must provide a notarized declaration of its location, which requires a visit to the public notary. In most cases the company's landlord has to go to the notary with his or her ID so that ownership of the premises can be checked against the database. The notary then issues a letter of consent for a minimal fee (KZT 1,125, or US$3.60). Since April 1, 2016, the VAT registration certificate has been issued only in electronic format. Processing takes five business days.

In 2016 *Doing Business* added questions to the starting a business indicator set in order to address a previous lack of data on those economies where women face a higher number of procedures. Kazakhstan is among the 167 economies that do not impose more procedures for women than for men to start a business.

How the process compares

How does Kazakhstan perform in the latest *Doing Business* global ranking on the ease of starting a business? As represented by Almaty city, Kazakhstan stands at 45 in the ranking of 190 economies, ahead of the average for economies of Europe and Central Asia (55), but below Azerbaijan (5), Georgia (8) and the Russian Federation (26). Yet Kazakhstan is close to the frontier of global good practices, with a distance to frontier score of 91.94.[13] Its relatively low ranking is attributable to the compressed distribution of the starting a business indicators. Most economies have implemented regulatory reforms improving their performance in this area over the years, with the result that they are closely clustered at the top.

Starting a business in Kazakhstan takes five or six procedures, depending on where the business is located. Among the eight locations, it is easiest to start a business in Astana, where the process is fastest, and in South Kazakhstan (Shymkent), where it is least costly. Starting a business is most difficult in Aktobe (table 3.1).

TABLE 3.1 Where is it easy to start a business in Kazakhstan—and where not?

Location	Rank	Distance to frontier score (0–100)	Procedures (number)	Time (days)	Cost (% of income per capita)
Astana	1	92.07	5	8.5	0.32
South Kazakhstan *(Shymkent)*	2	91.95	5	9	0.27
Karagandy	3	91.94	5	9	0.31
Pavlodar	4	91.94	5	9	0.32
Almaty city	5	91.94	5	9	0.34
Kostanay	6	90.14	6	10	0.99
East Kazakhstan *(Oskemen)*	7	90.10	6	10	1.26
Aktobe	8	89.94	6	10	2.60

Source: Doing Business database.
Note: Rankings are based on the average distance to frontier score for the procedures, time and cost associated with starting a business. The distance to frontier score is normalized to range from 0 to 100, with 100 representing the frontier of best practices (the higher the score, the better). For more details, see the chapter "About *Doing Business* and *Doing Business in Kazakhstan 2017*."

The main reason that Astana tops the ranking of the eight locations is that the egov system is more widely used in the capital. This results in the time to start a business, as measured by the *Doing Business* methodology, being half a day less in Astana than in the other locations. For aspiring entrepreneurs in those other locations, it is still common practice to seek assistance from a third party, such as an attorney or the staff of the local Entrepreneurs Service Center or Government for Citizens center, before registering online. Indeed, in Almaty city, Karagandy, Pavlodar and South Kazakhstan (Shymkent) they often go to the local center, ask for guidance on the process and then use the computer provided on the premises to register their business. In Aktobe, East Kazakhstan (Oskemen) and Kostanay aspiring entrepreneurs tend to seek the assistance of an attorney, which adds one day and one procedure to the start-up process.[14]

The start-up process takes longer in the locations where entrepreneurs still use attorneys because the state registration procedure gets broken into two steps: first visiting the attorney and then proceeding with online registration. The price tag for the registration process also goes up quickly (figure 3.3). In Kostanay, a rural region that provides a third of the country's grain, attorneys reported that they would charge KZT 15,000 (US$45) for registration services. This is because registering a new business there is relatively rare, something an attorney might have done only a dozen times a month in 2016. Lawyers would charge more for this service in the other two locations: KZT 20,000 (US$60) in East Kazakhstan (Oskemen) and up to KZT 50,000 (US$160) in Aktobe.

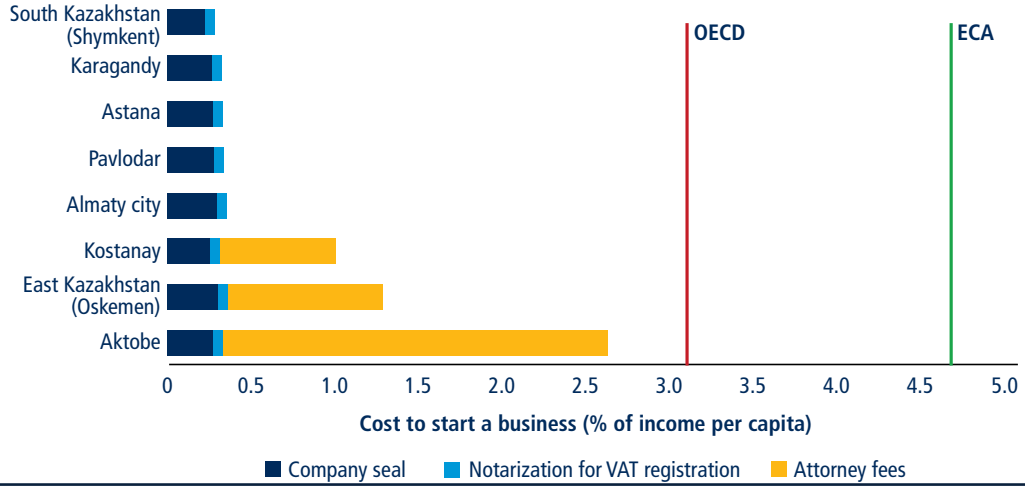
Another cost is the company seal. Under the assumption that an entrepreneur requests same-day service, obtaining a seal is least costly in South Kazakhstan (Shymkent) (KZT 4,800, or US$15.25) and Kostanay (KZT 5,407, or US$17.15) and most expensive in Almaty city (KZT 6,200, or US$19.70) and East Kazakhstan (Oskemen) (KZT 6,500, or US$20.60). The price is higher in East Kazakhstan because most seal producers there offer same-day service only if the customer pays a premium of up to 50% of the cost of the seal.

Because of the relatively small differences in performance on the starting a business indicators, both globally and within Kazakhstan, using the distance to frontier score helps in better understanding how Kazakhstani locations stand relative to one another and relative to other economies.

For procedures, Almaty city, Astana, Karagandy, Pavlodar and South Kazakhstan (Shymkent), with five each, receive a distance to frontier score of 76.47, similar to the scores of such diverse countries as Belarus, Luxembourg and Rwanda. Aktobe, East Kazakhstan (Oskemen) and Kostanay, where the common practice of using an attorney adds a procedure, receive a score of 70.59, on par with Bulgaria, Romania and the United States. Eliminating just one procedure would have a big impact on the distance to frontier score. This would enable the top five Kazakhstani locations to catch up not only with the Kyrgyz Republic, Ukraine and Uzbekistan, but also with the Netherlands and Norway. Kazakhstan would jump from 47 to 25 in the global ranking of 190 economies on this indicator.

While Astana performs slightly better than the other locations on the time to start a business, all eight have a distance to frontier score for this indicator above 90. Yet they would still have a global ranking on this indicator of around 59. The reason is that so many economies around

FIGURE 3.3 While low by regional comparison, the cost to start a business in Aktobe is almost 10 times that in South Kazakhstan—mostly because of legal fees



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.

the world are close to best practice in the efficiency of business registration. Starting a business takes only three days in Azerbaijan and Georgia, for example.

The most interesting comparison relates to the cost to start a business. With no requirement for paying government fees to register a small or medium-size enterprise, all eight Kazakhstani locations would rank among the top 20% of economies worldwide on this indicator. But there is still some variation across locations. South Kazakhstan (Shymkent), where registration involves no private third parties and company seals can be obtained swiftly and inexpensively, would rank number 7 in the world on this indicator—preceded only by Slovenia, United Kingdom, the former Yugoslav Republic of Macedonia, Ireland, Denmark and South Africa. Other Kazakhstani locations would follow closely behind. Even Kostanay, where entrepreneurs continue to use attorneys for business registration, has a distance to frontier score (99.51) that would rank the city among the top 25 economies, just ahead of the Russian Federation (99.50) and just behind Armenia (99.55).

WHAT CAN BE IMPROVED?

While Kazakhstan has made big strides in streamlining the process of starting a business, opportunities remain for further improvement.

Develop a communication strategy to publicize reforms

For a government introducing regulatory reforms, some of the main challenges are a poor public understanding of the issues, the lack of a sense of ownership among those affected by the changes, an uneven distribution of the benefits, a general inertia (or lack of support) and weak transmission channels. An effective, targeted communication strategy can help overcome these obstacles, preventing reforms from going unnoticed or even unimplemented.

This kind of communication strategy might be helpful in Kazakhstan, where some recent reforms in the area of starting a business have yet to bear fruit. One example is the egov portal. Many entrepreneurs do not know how to use all the services it provides—as evidenced by the still common practice of seeking advice from an attorney or the local Government for Citizens center before proceeding with online business registration. Another example is the continued use of company seals. Even though the legal obligation to have a company seal was abolished at the beginning of 2015, newly created companies continue to get one for the purpose of opening a bank account. In the past, the company seal symbolized the legal identity of a business and authenticated all its contracts. Now most documents are transmitted electronically. Moreover, seals can be easily forged. In many economies seals are being replaced with electronic signatures. Indeed, among the 190 economies covered by *Doing Business*, 70% do not require companies to have a seal.[15]

To sharpen the focus of a communication strategy on the abolition of the requirement for a company seal, for example, authorities could conduct an assessment to identify which types of entities need one in practice and why. This knowledge would help in targeting the communication strategy to address specific concerns as well as benefits, including the added security of electronic signatures. Such an assessment was undertaken in Croatia, for example, where companies kept using a company seal despite a law abolishing the requirement to have one. This came from a long tradition of including the company signatory's name and signature and the company stamp in all company bylaws as well as in several public forms. The Agency for Investments and Competitiveness contributed to the full implementation of the law by having all ministries and courts review their public forms and remove any requirement for a company stamp.

Enhance the egov portal with additional services

To start a business in Kazakhstan, an entrepreneur needs to interact with public entities online (through egov) and in person (for VAT registration or at the Government for Citizens center) as well as with private firms offering different services, such as banks, insurers and seal makers.

The egov website offers more than 200 public services to companies and individuals (from passports and IDs to company registration). But it does not provide access to any private services. In other economies, by contrast, e-government websites allow access to both public and private services. Take Singapore, where incorporation is done through Bizfile, an electronic filing system providing one-stop business facilitation services to customers at the point of registration. The services provided by the portal include reserving domain names, registering for the goods and services tax and applying for a corporate bank account at preapproved banking institutions.

Kazakhstan's egov website could make starting a business easier by merging several procedural steps into one at the time of registration. For example, it could explore data sharing arrangements with private companies to facilitate access to their services, or host basic service offers by private companies. Rather than visiting a bank to open a company account and then an insurance company to obtain an accident insurance policy for employees, entrepreneurs could access such services from preapproved vendors directly through the egov portal.

Allow simultaneous company and VAT registration and abolish the need to visit a notary

Globally, only 22% of economies have VAT registration as a separate procedure from business registration.[16] Kazakhstan is among this group, because registering for VAT becomes mandatory only when a company's turnover reaches a particular threshold. But even companies that do not reach this threshold often register voluntarily, because registration is required to compete in public procurements.

In an effort to fight fraud in VAT refunds, Kazakhstan requires the CEO of a company registering for VAT to go in person to the State Revenue Committee of the Ministry of Finance. Rather than imposing this burdensome step on all companies registering for VAT, Kazakhstan could follow the example of Singapore, where public entities are well coordinated. There, the registrar simply assumes that it is not in the interest of businesses to go through a fraudulent registration, and VAT registration takes place through an automated, notice-based service at the time of company registration. If Kazakhstan adopted this approach, the time required to start a business could drop by a week.

If people are fraudulently listed as company founders, the registry office could use postregistration verification, at the time VAT refunds are claimed, to investigate the matter. That way officials could focus their time on the minority of cases involving possible fraud rather than verifying every application.

By the same logic, Kazakhstan could abolish the requirement for notarization of evidence of a company's legal address. With online VAT registration and digital signatures, the need to verify legal addresses and personal identification becomes obsolete.

In fact, Kazakhstan very recently passed a law introducing changes to the VAT registration process.[17] As of May 1, 2017, a company may submit its application for VAT registration electronically. The law also abolishes the requirement for the company's CEO to have a photo taken as part of the application process as well as the need to submit documents confirming the company's location. Ensuring proper implementation of the new law will be key to streamlining the business registration process in practice.

NOTES

1. Official statistical information on small and medium-size enterprises from the Statistics Agency of the Republic of Kazakhstan, accessed April 24, 2017, http://www.stat.gov.kz.
2. Office of the Prime Minister of the Republic of Kazakhstan, "NEM RK Observes Decline in Share of SME in Economy in 2016," press release of June 14, 2016, https://primeminister.kz/en/news/finansi/snizhenie-vklada-msb-v-ekonomiku-strany-v-2016-g-otmechajut-v-mne-rk; President Nursultan Nazarbayev, "Kazakhstan Way—2050: One Goal, One Interest and One Future," 2014 State of the Union Address.
3. Leora Klapper, Anat Lewin and Juan Manuel Quesada Delgado, "The Impact of the Business Environment on the Business Creation Process," Policy Research Working Paper 4937 (World Bank, Washington, DC, 2009).
4. Antonio Ciccone and Elias Papaioannou, "Red Tape and Delayed Entry," *Journal of the European Economic Association* 5, nos. 2–3 (2007): 444–58.
5. Norman Loayza, Ana Maria Oviedo and Luis Servén, "Regulation and Macroeconomic Performance," Policy Research Working Paper 3469 (World Bank, Washington, DC, 2005); and Levon Barseghyan, "Entry Costs and Cross-Country Differences in Productivity and Output," *Journal of Economic Growth* 13, no. 2 (2008): 145–67.
6. Levon Barseghyan and Riccardo DiCecio, "Entry Costs, Industry Structure and Cross-Country Income and TFP Differences," Working Paper 2009-005C (Federal Reserve Bank of St. Louis, 2009).
7. David Audretsch, Max Keilbach and Erik Lehmann, *Entrepreneurship and Economic Growth* (New York: Oxford University Press, 2006).
8. Raquel Fonseca, Paloma Lopez-Garcia and Christopher Pissarides, "Entrepreneurship, Start-Up Costs and Employment," *European Economic Review* 45, nos. 4–6 (2001): 692–705.
9. The state corporation Government for Citizens is a one-stop shop that offers more than 500 public services ranging from passport issuance to business registration, social protection and real estate registration. The Entrepreneurs Service Center provides state registration for companies as well as consultations on business regulations, management and finance.
10. On January 1, 2015, the requirement to obtain a company seal was formally eliminated as a procedure in the business start-up process 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.
11. Law of the Republic of Kazakhstan on Obligatory Insurance of the Liability of the Employer for Life and Health Tort to the Employee in Discharge of Labor and (Official) Duties, effective July 1, 2005, and as amended on May 7, 2007.
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 of the Republic of Kazakhstan. The MCI was established by the Law of the Republic of Kazakhstan on the Republic's Budget for 2015–2017. Effective January 1, 2017, the MCI is KZT 2,269 (around US$7).
13. The distance to frontier score is normalized to range from 0 to 100, with 100 representing the frontier of best practices (the higher the score, the better). For more details, see the chapter "About *Doing Business* and *Doing Business in Kazakhstan 2017*."
14. The delay resulting from the use of an attorney is small, as registration would be done online in less than 30 minutes.
15. *Doing Business* database.
16. *Doing Business* database.
17. Law of the Republic of Kazakhstan 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 (no. 49-VI), February 27, 2017.

Dealing with Construction Permits

MAIN FINDINGS

- Over the past five years Kazakhstan has improved efficiency in construction permitting by implementing a single window for project approvals, replacing some permitting procedures with notifications and expanding the role of private sector experts.
- In the eight locations studied, completing the permitting process for a simple warehouse takes 18–19 procedures, substantially more than the average for OECD high-income economies. But the average time and cost—148 days and 2.1% of the warehouse value—are broadly in line with the OECD high-income averages. On the building quality control index Kazakhstan scores among the top 30 economies globally.
- Going forward, Kazakhstan could capitalize on information technology solutions to expand and improve online services. It could improve quality control and safety standards by adopting risk-based criteria for construction supervision as well as mandatory insurance to cover structural defects. And it could reduce corruption risks in construction permitting and control by introducing regulatory appeal and transparency mechanisms.

With the drop in global oil prices, the construction industry has been the leading driver of GDP growth in Kazakhstan, expanding by 7.5% in 2016.[1] This growth has been led mostly by the private sector as the government share of investment in construction has dropped substantially over the past few years, from 39% in 2012 to 25% in 2016.[2] Kazakhstan's recent reforms in the construction and urban planning sector might have helped invigorate construction activity. But sustaining and increasing this activity will require further steps to streamline construction regulation.

Sound regulation of construction matters for other reasons as well. In January 2017 a multistory residential building collapsed in Shakhan (in the Karagandy region), causing nine deaths. A few months earlier a section of the newly built International Exposition building in Astana had also collapsed.[3] Robust control mechanisms for new construction help protect the public from unsafe buildings.

Well-functioning building permitting and inspection systems also strengthen property rights and contribute to capital formation.[4] Kazakhstan's leadership has acknowledged the importance of simplifying construction permitting and land use processes, as reflected in the nation's "100 concrete steps" to implement its long-term modernization strategy.[5]

HOW DOES CONSTRUCTION PERMITTING WORK IN KAZAKHSTAN?

Kazakhstan's Law on Architectural, Town Planning and Construction Activity establishes the national regulatory framework for construction activity. A set of regulations referred to by the Russian acronym *SNIP* (Construction Norms and Rules) covers the technical aspects of construction and urban planning. In addition, municipal and regional authorities have a substantial role in approving building plans and supervising the construction process.

The process of dealing with construction permits can be divided into 10 main stages (figure 4.1). Completing these stages requires 18 procedures in Astana and 19 in the other seven locations benchmarked—7 more than the average for OECD high-income economies and 3 more than the regional average for Europe and Central Asia. Eleven of the procedures must be completed before construction can begin. The approval of project documentation alone (stages 2–4) requires 6 procedures and up to three months.

After obtaining the geological and topographic surveys of the land plot, the entrepreneur requests the spatial planning guidelines (known as the architectural planning assignment, or APZ[6]) from the municipal Department of Architecture and the relevant technical specifications (technical conditions) from the water and sewerage utilities. By law, the Department of Architecture is supposed to serve as a single window, collecting all required technical conditions from the relevant utilities, preparing the architectural planning assignment and issuing this document and the technical conditions to the applicant in a single package. In practice, however, the single-window principle operates only in Almaty city and Astana. In the other six locations it is faster to obtain these documents separately from the utilities and the Department of Architecture. The reason is that the utilities fail to comply with the official time limit of five business days for issuing the technical

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 simple commercial warehouse and connect it to water and sewerage. This includes all inspections and certificates needed before, during and after construction of the warehouse. 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 distance to frontier score for dealing with construction permits (see figure).

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

Rankings are based on distance to frontier scores for four indicators

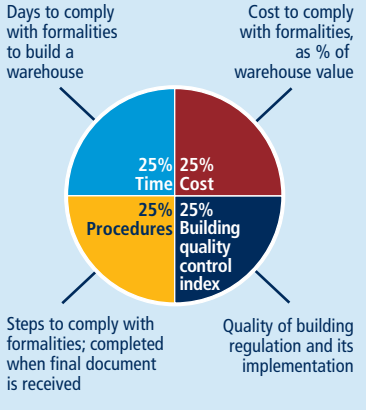
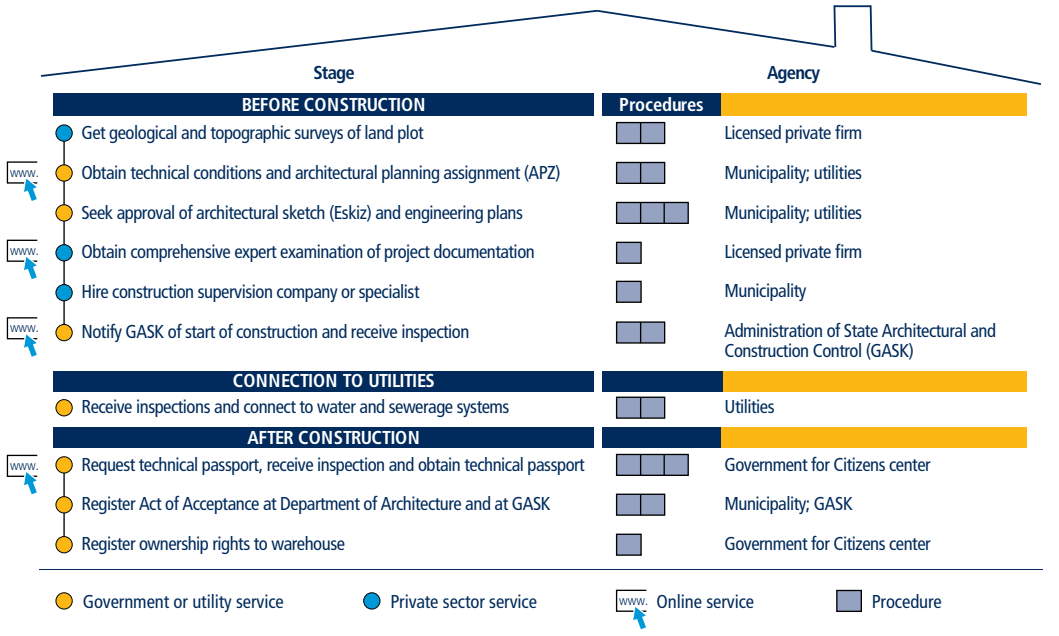


FIGURE 4.1 The 10 main stages of construction permitting take 18–19 procedures in the Kazakhstani locations



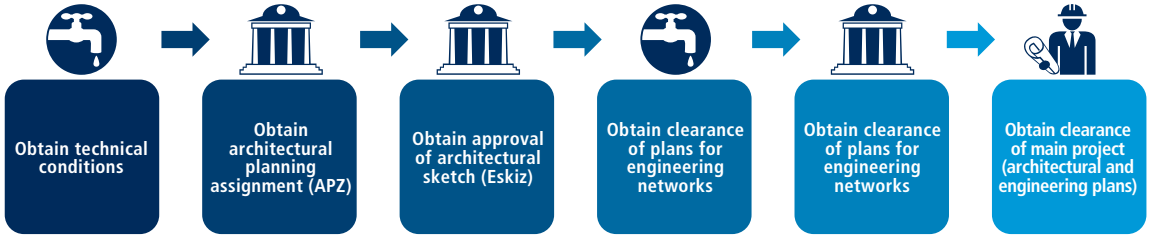
Source: Doing Business database.

conditions, disrupting the single-window mechanism.[7] On the other hand, the Department of Architecture lacks formal mechanisms (such as online platforms or collaboration protocols) for obtaining and consolidating the technical conditions from the utilities in a timely manner.

In all eight locations the architectural sketch (Eskiz) has to be approved before the applicant can start developing the main project. Then the applicant has to get clearance of the plans for engineering networks (indicating the planned layout of the utility and communication networks) from the same utilities involved in issuing the technical conditions as well as from the Department of Architecture. Standing commissions at the Department of Architecture meet weekly to approve such plans. These meetings are also attended by representatives from the various utilities. In practice, however, the applicant requests clearances from each utility separately—a process informally referred to in Russian as *begunok*, or "running around." As a result, the applicant has to have at least two interactions with the utilities before construction—first to obtain the technical conditions and then to obtain clearance of the plans for engineering networks.

The next step is the comprehensive expert examination of the architectural and engineering plans, both of which were already verified in the previous steps (figure 4.2). Thus the verification process involves three separate clearances—one from the

FIGURE 4.2 Obtaining a project approval in Kazakhstan requires six interactions with three separate entities



Source: Doing Business database.

utilities, a second from the Department of Architecture and yet another from an accredited private firm. Before 2016 the process was even more complex, involving three additional clearances—now combined in the comprehensive expert examination carried out by an accredited firm (box 4.1).

Once the project is approved, the applicant needs to notify the Administration of State Architectural and Construction Control (GASK), hire a technical supervision company and receive an inspection from GASK before the beginning of the construction work. No building permit is issued; this step was replaced in 2012 by an online notification to GASK.[8]

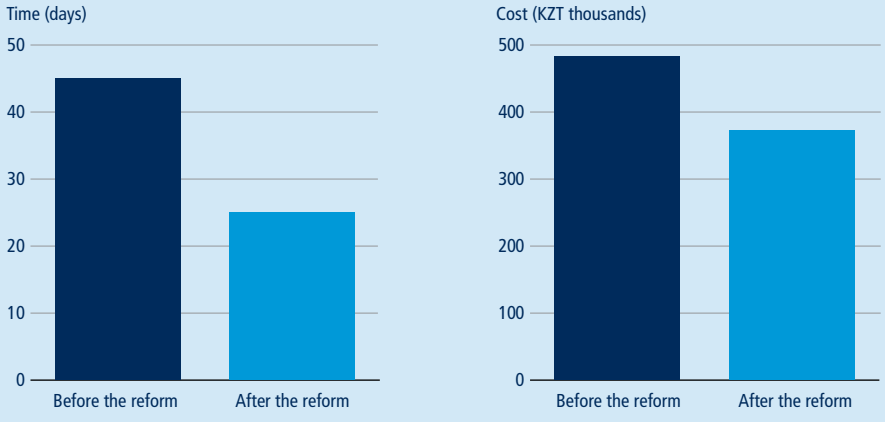
During construction the water and sewerage utility conducts an on-site inspection to verify and approve the infrastructure connection routes. The excavation and plumbing works for the water and sewerage connection are typically done by the building company. Upon completion the utility visits the construction site and connects the building to the main water and sewerage systems.

After construction the applicant has to obtain a technical passport for the building (a document indicating the technical characteristics of the building). This step involves three procedures: submitting an application to the single window at the Government for Citizens center, receiving an inspection and obtaining the technical passport. The applicant then submits two mandatory notifications of the completion of work, one to GASK and the other to the Department of Architecture, which are registered and archived by these agencies. Finally, the applicant registers the building at the local Government for Citizens center.

BOX 4.1 A simplified process for the expert examination of building projects in Kazakhstan

Since January 1, 2016, the expert examination of building projects has been done through an online platform (epsd.kz)—a single window combining the sanitary, fire and environmental clearances into one comprehensive clearance.[a] This reform saved entrepreneurs 20 days (see figure). The government delegated this service to accredited private firms for technically noncomplex buildings and has indicated its commitment to fully privatizing the industry in the medium term, which will potentially channel some US$70 million worth of contracts annually to the private sector.[b] The reform has already created a vibrant market for project consulting services, and the resulting competition reduced the cost of the expert examination by more than 20%.[c] Kazakhstan also transferred the responsibility for construction supervision to accredited private experts, addressing concerns about burdensome government intervention in the construction process.[d]

The reform of the expert examination reduced the time for the process by 20 days and the cost by almost a quarter



Source: Doing Business database.

a. 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.

b. According to official national statistics, the value of construction works in 2016 was around US$17 billon. The project assessment typically costs about 0.4% of total construction costs, suggesting a total potential value of around US$70 million for the contracts. For statistics on construction, see the website of the Statistics Agency of the Republic of Kazakhstan at http://stat.gov.kz.

c. *Doing Business* database.

d. In accordance with article 38 of 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, newly completed buildings are commissioned for use by customers, building contractors, and architectural design and technical supervision companies without the participation of state bodies since January 1, 2016.

How does the process vary across locations?

The efficiency of the construction permitting process differs substantially across the eight locations benchmarked in Kazakhstan (table 4.1). Obtaining the approvals needed to build a warehouse and connect it to water and sewerage is easiest in Almaty city and Kostanay and most difficult in South Kazakhstan (Shymkent). In Kostanay developers can complete the process in 19 procedures and 133 days, at a cost of 1.6% of the warehouse value. In South Kazakhstan (Shymkent) they would need 72 more days to do so, mainly because of the long process for obtaining the architectural planning assignment (APZ), the technical conditions and the approval of the plans for engineering networks. Overall, Almaty city is the closest to international good practices: it would rank near the 70th percentile globally, similar to Canada (at 57 in the global ranking of 190 economies). In contrast, South Kazakhstan (Shymkent) would rank below the 50th percentile, at the level of Angola (at 111 in the ranking).

Despite the many requirements, the construction permitting process is quite fast. On average across the eight locations it takes 148 days, less than the regional average for Europe and Central Asia (163 days) (figure 4.3). In Almaty city it takes only 123 days, similar to the time in Athens, Greece (124 days). In Astana the process takes 144 days, slightly more time than in Bishkek, Kyrgyz Republic (142 days), but less than in Warsaw, Poland (153 days).

Approvals from the architectural supervision agencies and utilities are the main drivers of the variation in time among the locations. Obtaining the architectural planning assignment (APZ) takes the least time in Karagandy (5 days) and more than four times as long in South Kazakhstan (Shymkent) (23 days) and East Kazakhstan (Oskemen) (22 days). Delays in the issuance of this document are common across Kazakhstan and have been cited as one of the major obstacles for entrepreneurs.[9] Approval of the architectural sketch (Eskiz) takes only a week in Pavlodar but around two weeks in Aktobe, Karagandy and East Kazakhstan (Oskemen). And it takes more than three weeks in Almaty city, Astana and Kostanay—substantially longer than the time limit set by the relevant standard of state service (figure 4.4).[10] In Astana the relatively long wait for approval of the architectural sketch is related to the city's special status as the nation's capital, which entails greater scrutiny of initial blueprints.

Approval of the plans for engineering networks by the utilities takes a week in Astana but almost three weeks in South Kazakhstan (Shymkent). In South Kazakhstan (Shymkent) the commission that meets weekly to approve the plans typically covers only a fraction of the projects submitted, resulting in backlogs.[11] The expert examination of project documentation by a licensed private firm is conducted through an online platform (epsd.kz), which allows the applicant to submit documents electronically.[12] But as a result of multiple rounds of revisions and consultations, this process routinely exceeds the legal time limit of 10 business days (14 calendar days) in most of the locations. In practice, the time ranges from two weeks in Almaty city and Pavlodar to 33 days in East Kazakhstan (Oskemen). The fact that the system for involving private sector experts is relatively new, having started in 2016, partly explains the variation in the time required. In smaller cities only a few private sector experts qualify to carry out the expert examination.[13]

Overall, dealing with construction permits takes the most time in East Kazakhstan (Oskemen), at 179 days, and in South Kazakhstan (Shymkent), at 205. In East Kazakhstan the delays can be explained in part by the disproportionately high volume of construction activity in its capital city: despite its relatively modest size, Oskemen had a higher volume of commercial construction in 2016 than Almaty city, Astana or the capital city of any of the other five regions.[14] South Kazakhstan's capital city, Shymkent, is equal in population size to Astana but has markedly lower construction volumes. Nevertheless, builders in Shymkent have to spend on average two more months on the construction permitting process than those in Astana. The biggest delays occur in obtaining the technical conditions, the architectural planning assignment (APZ) and the clearance of the engineering plans, because of poor coordination between the utilities and the Department of Architecture (figure 4.5).

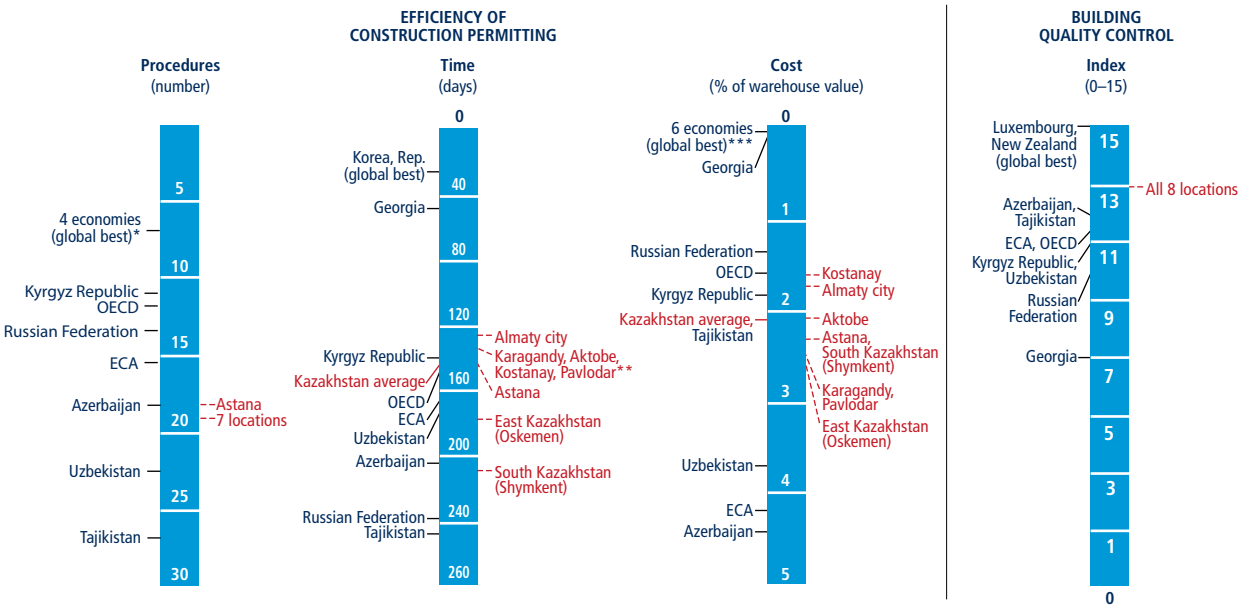
TABLE 4.1 Where is dealing with construction permits easy in Kazakhstan—and where not?

Location	Rank	Distance to frontier score (0–100)	Procedures (number)	Time (days)	Cost (% of warehouse value)	Building quality control index (0–15)
Almaty city	1	73.61	19	123	1.7	13
Kostanay	2	73.00	19	133	1.6	13
Karagandy	3	72.48	19	128	2.3	13
Astana	4	72.45	18	144	2.2	13
Akotbe	5	72.38	19	132	2.1	13
Pavlodar	6	71.81	19	137	2.3	13
East Kazakhstan *(Oskemen)*	7	68.54	19	179	2.5	13
South Kazakhstan *(Shymkent)*	8	67.03	19	205	2.2	13

Source: Doing Business database.

Note: Rankings are based on the average distance to frontier score for the procedures, time and cost associated with dealing with construction permits as well as for the building quality control index. The distance to frontier score is normalized to range from 0 to 100, with 100 representing the frontier of best practices (the higher the score, the better). For more details, see the chapter "About *Doing Business* and *Doing Business in Kazakhstan 2017*."

FIGURE 4.3 Dealing with construction permits in Kazakhstan involves many requirements but also high quality standards



Source: Doing Business database.

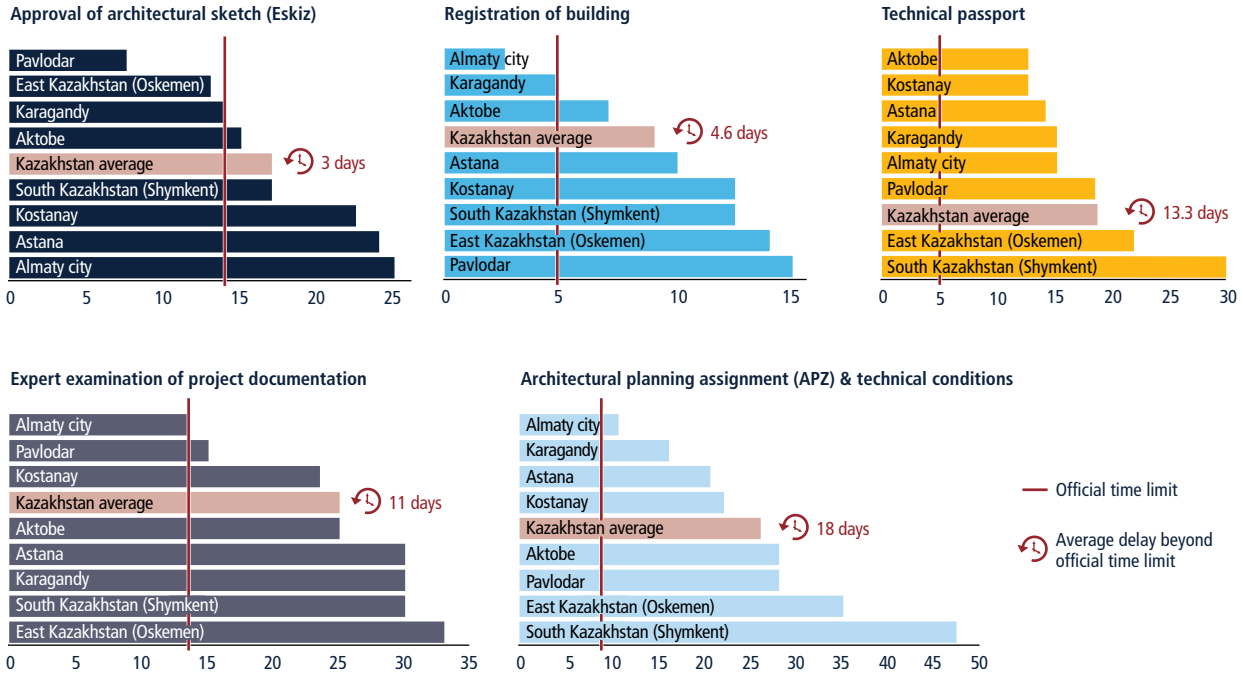
Note: OECD is the average for OECD high-income economies; *ECA* is the average for economies of Europe and Central Asia.

* These are Denmark, Georgia, the Marshall Islands and Sweden.

** The time shown is the average for these four locations: Karagandy (129 days), Aktobe (133), Kostanay (134) and Pavlodar (138).

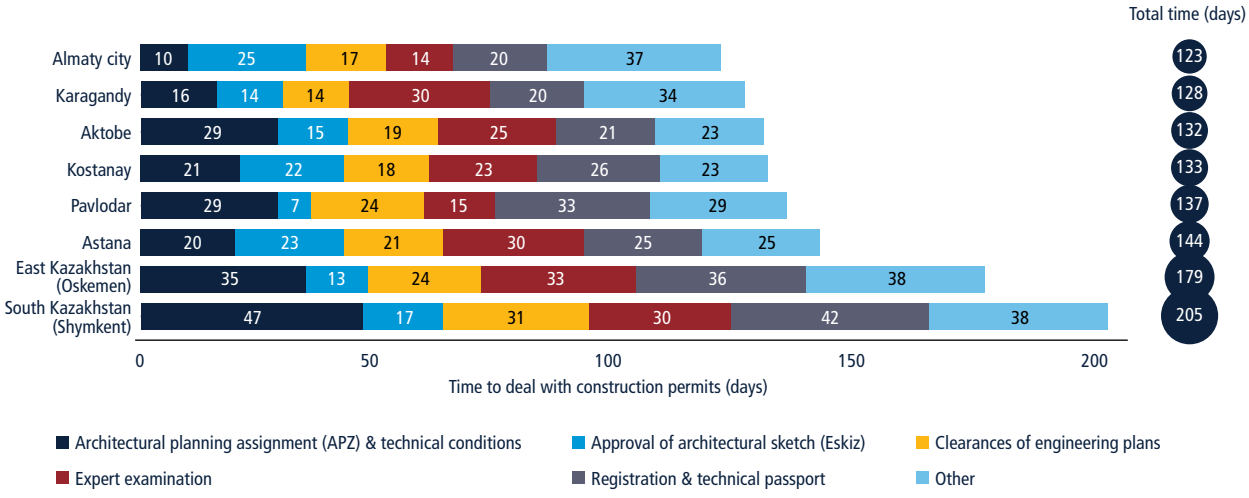
*** These are Dominica, Mongolia, the Slovak Republic, St. Vincent and the Grenadines, Thailand, and Trinidad and Tobago.

FIGURE 4.4 Official time limits for construction permitting procedures are poorly enforced in Kazakhstan



Source: Doing Business database.

FIGURE 4.5 The architectural planning assignment and technical conditions are the main drivers of the variation in time for dealing with construction permits

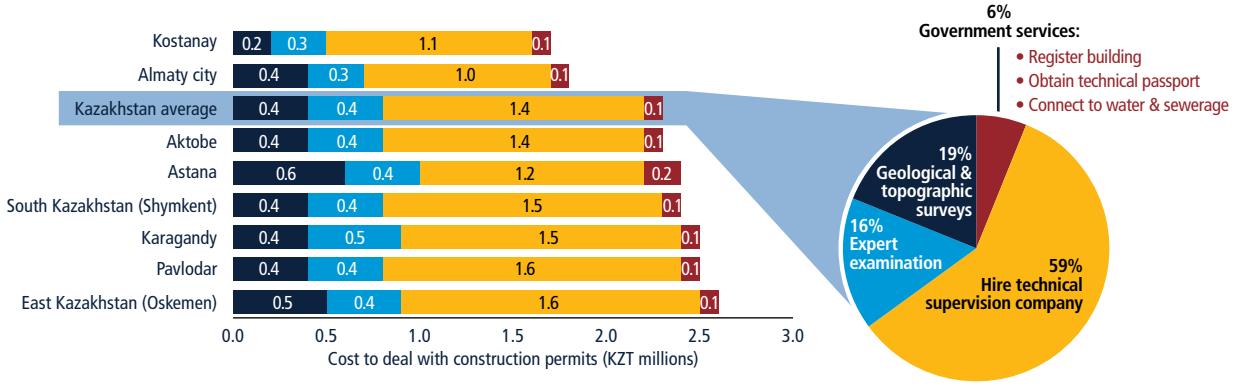


Source: Doing Business database.

The cost of dealing with construction permits ranges from 1.6% of the warehouse value in Kostanay to 2.5%—nearly 60% more—in East Kazakhstan (Oskemen). The average cost, 2.1% of the warehouse value, is half the regional average for Europe and Central Asia (4.2%) as well as the global average (4.5%). The fees for services provided by the government are the same across Kazakhstan. These include the fees for the technical passport (KZT 21,210, or US$112 for regular service and KZT 63,630, or US$337 for expedited service). The costs of connecting to water and sewerage are established by the utilities in each location based on their internal cost structures and operational factors, ranging from KZT 7,600 (US$40) in Karagandy to KZT 140,038 (US$743) in Astana. In Almaty city there is no cost for the connection to water and sewerage.

Because most government services are free of charge, private sector fees account for about 94% of the cost of dealing with construction permits on average. The fees charged by the technical supervision companies to conduct the on-site supervision of construction amount to about 60% of the total cost on average (figure 4.6). These fees range from 0.9% to 1.5% of total construction expenses. They tend to be lower in Astana and Almaty city

FIGURE 4.6 Private sector services account for 94% of the cost of dealing with construction permits, with the technical supervision of construction representing the largest share



Source: Doing Business database.
Note: Cost estimates are based on the *Doing Business* case study warehouse.

KZT 1,178,680, or US$6,250 and KZT 981,115, or US$5,202, as calculated for the warehouse in the *Doing Business* case study), possibly because of greater market competition. And they tend to be higher in the smaller cities, such as Pavlodar and Oskemen (KZT 1,637,894, or US$8,685). In smaller cities, where there are few local accredited construction supervision firms, some builders hire firms from Almaty city and Astana for larger projects and pay extra fees as a result.

Going beyond efficiency—building quality control

Kazakhstan performs well on the building quality control index, which assesses the quality of construction regulations and controls in six main areas (for a possible 15 points): quality of building regulations (2 points); quality control before (1), during (3) and after construction (3); liability and insurance regimes (2); and professional certifications (4). The country scores 13 of the 15 possible points, surpassing the regional average for Europe and Central Asia of 11.3 (table 4.2). Because the Law on Architectural, Town Planning and Construction Activity as well as the SNIP regulations apply equally across Kazakhstan, there is no variation in scores across locations.

Kazakhstan makes building regulations and information on all required construction permitting steps available to the public through its public services online platform (egov) as well as through brochures and printed materials at the relevant authorities—and clearly specifies the fees for government services in regulations accessible online (scoring the full 2 points on the quality of building regulations). Globally, the majority of economies have their construction regulations accessible to the public.

Local authorities in Kazakhstan are staffed with licensed engineers who verify that the building plans are in compliance with the building regulations and actively participate on the committees responsible for approving the plans (for a full score of 1 point on quality control before construction).

Kazakhstan clearly specifies the legal requirements for inspections during construction as the responsibility of the project designer (in-house, for the purposes of the case study) and a third-party construction supervision company (technical supervision company).[15] The technical supervision company has to provide monthly reports to the regional authorities. But while Kazakhstan has adopted a law specifying risk categories for buildings, this law does not affect construction supervision procedures (resulting in a score of 2 of 3 points on quality control during construction).[16]

Final inspections after construction are similarly required by law to be carried out by an in-house engineer and a third-party technical supervision company before the signing of the "Act of Acceptance," a form of occupancy certificate (for the full 3 points on quality control after construction). Most economies globally, including the majority in Europe and Central Asia, also have this requirement.

Structural defects in a building are often discovered only after it has been occupied. Liability for such defects is shared between the contractor and the architect in most economies, and insurance to cover these defects is mandatory in some. In Kazakhstan the Law on Architectural, Town Planning and Construction Activity and the Civil Code specify the liability requirements for structural defects, but there is no legal obligation for anyone to obtain an insurance policy to cover possible defects (resulting in a score of 1 of 2 points on liability and insurance regimes). Globally, only about 20% of economies require insurance to cover structural defects. In Europe and Central Asia only Albania, Bulgaria and Serbia have both liability and insurance regimes in place for covering structural flaws.

It is important that professionals responsible for construction permitting approvals

TABLE 4.2 Kazakhstan scores among the top 15% of economies globally on the building quality control index

	Kazakhstan	Belarus	Azerbaijan	Tajikistan	Kyrgyz Republic	Russian Federation	United Kingdom
Building quality control index (0–15)	**13**	13	12	12	11	10	9
Quality of building regulations (0–2)	2	2	2	2	2	2	2
Quality control before construction (0–1)	1	1	1	1	1	1	1
Quality control during construction (0–3)	2	2	2	2	2	2	3
Quality control after construction (0–3)	3	3	3	3	3	0	3
Liability and insurance regimes (0–2)	1	1	0	0	0	1	0
Professional certifications (0–4)	4	4	4	4	3	4	0

Source: Doing Business database.

Maximum points obtained

have the necessary technical qualifications. Kazakhstan has formal regulations specifying the qualification requirements for both the technical professionals who review the drawings and those who supervise the construction on-site (for the full 4 points on professional certifications). Globally, only about 30% of economies have qualification requirements for both groups of professionals; in Europe and Central Asia more than 65% do.

WHAT CAN BE IMPROVED?

Kazakhstan has made notable strides in modernizing and streamlining construction permitting. But the process remains complex. In construction permitting—a regulatory area particularly prone to corruption worldwide, according to research—complexity can go hand in hand with corruption. But where the permitting process is less cumbersome, the level of corruption drops (figure 4.7). In Kazakhstan opportunities for further reform remain in making greater use of online platforms, improving the functionality of single-window mechanisms, streamlining preconstruction procedures and enforcing official time limits.

Expand the scope of online services in construction permitting

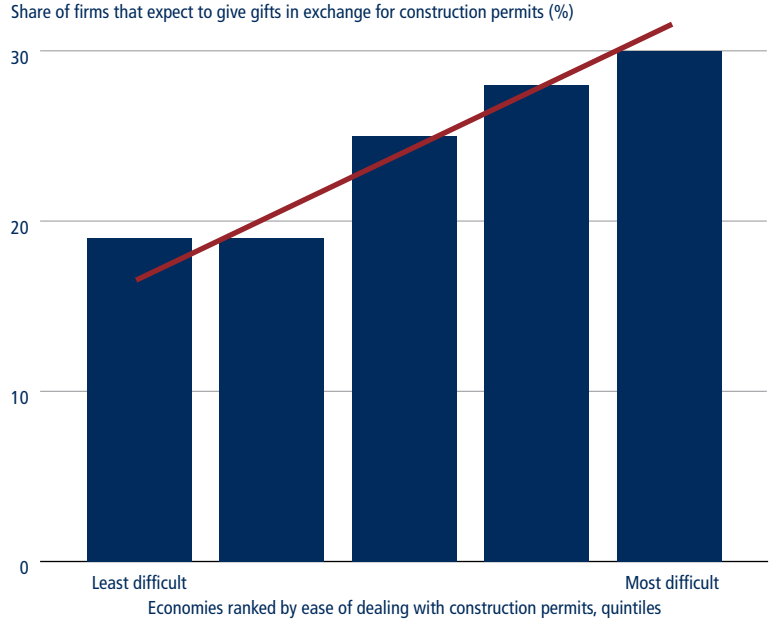
Of the 18–19 procedures for dealing with construction permits in Kazakhstan, 4 can be completed through online platforms. Several others could easily be incorporated into these platforms, reducing the number of interactions with third parties and increasing efficiency. One example is the notification of the completion of construction (Act of Acceptance) that builders have to submit both to the Administration of State Architectural and Construction Control (GASK) and to the Department of Architecture. These procedures could easily be integrated into the well-functioning online platform for notifications and other government services (egov), eliminating the need for a separate visit to these agencies. Other economies have introduced electronic notifications of the completion of construction, including Denmark, the Netherlands and the Russian Federation (in Moscow).

Improve the functionality of the one-stop shops

In Almaty city and Astana applicants can obtain the spatial planning guidelines (the architectural planning assignment, or APZ) and the relevant technical conditions in one package from the municipal Department of Architecture—which serves as a one-stop shop, not only issuing the architectural planning assignment but also compiling the technical conditions from the utilities. Both municipalities successfully coordinate the time limits and clearly delineate the responsibilities for the issuance of these documents. In Astana the water and sewerage utility has adopted an official time limit of 5 working days (10 for complex buildings) for the issuance of technical conditions, which is in line with the standard of state service on the issuance of the architectural planning assignment.[17] In Almaty city the utility's website clearly indicates that the application for technical conditions should be directed to the Department of Architecture.[18] In the other locations, where poor coordination and lack of formal collaboration mechanisms have left the single-window mechanism largely nonfunctional, the process is delayed by an average of 20 days.

Kazakhstan could improve the functioning of the existing one-stop shops by creating an online platform to facilitate coordination between the utilities and the Department of Architecture. Such a platform could enable the electronic exchange and archiving of technical documentation and provide a forum for discussing technical issues in real time. Kazakhstan could follow the example of Serbia, which recently achieved a remarkable increase in efficiency by consolidating the issuance of technical conditions and location conditions (similar to the architectural planning assignment) through an online system. Similar

FIGURE 4.7 Less cumbersome requirements in dealing with construction permits are associated with lower levels of corruption



Sources: Doing Business database; Enterprise Survey database, World Bank, http://www.enterprisesurveys.org.
Note: Relationships are significant at the 1% level and remain significant when controlling for income per capita.

examples can be found in the United Arab Emirates and the Russian Federation. In 2009 Dubai introduced an online system for clearances from utilities, achieving a notable reduction in time. Moscow integrated the procedures for obtaining the urban planning guidelines (similar to the architectural planning assignment) and obtaining the technical conditions from the utilities by mandating electronic exchange of technical documentation between agencies.[19]

Integrate spatial planning guidelines and utility supply information into online platforms

In the medium term Kazakhstan could build on its modern system of digital zoning maps to integrate spatial planning guidelines and utility supply information into an online platform available to the public or to accredited engineering firms. This would eliminate the need to obtain the architectural planning assignment and technical conditions, since the zoning maps would already specify the spatial planning guidelines and the available supply capacity of utility networks in each district of a municipality.

Slovenia has made detailed plans and zoning maps available online since 2012, allowing professionals to obtain land maps and geodetic data directly.[20] Most economies in the European Union have integrated utility capacity into their zoning systems.[21] In Denmark and Sweden, for example, legally binding district plans provide detailed planning guidelines and design requirements that include all information needed to prepare the project design for a building.

While preparing a detailed development plan for a district takes time and effort, it saves considerable resources in project design and adds transparency on the criteria for approving or rejecting building plans.[22] Almaty city has already taken the initial steps in this direction by making its updated master plan and zoning rules available online (almaty.genplan.kz).

Streamline project approval requirements

Entrepreneurs going through the construction permitting process in Kazakhstan put in much time and effort on multiple levels of clearances by different agencies, some with duplicate functions. Substantial efficiencies could be achieved by consolidating procedures related to the approval of the plans for engineering networks or the registration of the completed building, for example.

While the plans for engineering networks are formally approved by a commission representing the utilities and the Department of Architecture, lack of coordination between the responsible entities means that in practice applicants have to apply to each one separately. This verification is then duplicated when the architectural and engineering plans are reviewed by a private firm as part of the comprehensive expert examination (see figure 4.2). The need for the clearances from the utilities and the Department of Architecture could be eliminated by incorporating the technical conditions from the utilities into the online platform for expert examination (epsd.kz). That would enable the private firm to verify the engineering plans against those conditions. This change would streamline the process, reducing the number of procedures for dealing with construction permits by two and saving entrepreneurs almost a month.

Another opportunity is to merge the procedures for registering the building and for obtaining a technical passport. Since both procedures are administered by the state corporation Government for Citizens and involve the same set of application documents, they could be combined in a single application that the applicant could submit to the local Government for Citizens center. Once the technical passport is issued, the Government for Citizens center could automatically submit the package of documents to the Department of Justice for registration of the building. This improvement would eliminate the need for the applicant to make two separate visits to the center.

Introduce smarter time limits for better compliance

While 5 of the 18–19 procedures for dealing with construction permits have associated time limits, these are rarely enforced in practice (see figure 4.4). Time limits for approvals outsourced to private entities, such as the expert examination, are difficult to enforce. Moreover, for technically complex projects, which are reviewed by the State Expert Examination Agency (Gosexpertiza), enforcing an inflexible time limit might not be practical because of the variability among projects and the uncertainty about the potential revisions and modifications needed. Kazakhstan could instead follow the example of Singapore by adopting a target range for project approvals—for example, requiring that 90% of projects be cleared within a specific number of days. This would allow some flexibility in prioritizing projects by their complexity and processing time. Because such a system increases the discretion of the evaluator, it would also require putting in place a strong framework of accountability and transparency.

Enhance risk-based inspection mechanisms

In Kazakhstan buildings are classified by risk category, which affects the types of approvals required and the associated time limits. But the risk categories are not taken into account in the inspection process,[23] which is conducted by third-party supervision companies and in-house engineers.[24] Introducing clearly defined levels of scrutiny for each risk category would improve overall quality control while allowing a more efficient allocation of resources by both the supervision companies and the clients (builders). This should be accompanied by robust licensing requirements and sanction mechanisms designed to prevent potential safety risks due to corruption or negligence.

In Australia the state of Queensland links inspection requirements to the risk category of buildings, which is defined by the height and floor area, the complexity of the project, the experience of the design and building teams and the climatic conditions. While there are a number of mandatory inspections for all buildings, riskier projects are subject to progressively greater scrutiny.[25] The United Kingdom—which, like Kazakhstan, allows inspections to be conducted by licensed private sector experts—defines the risk level for inspections by assessing such criteria as the size and complexity of the building, the experience and qualifications of the builder, groundwater and other ground-related hazards, as well as alternative means of achieving compliance.[26]

Introduce mandatory insurance requirements to cover structural defects

Insurance to cover costs arising from structural defects benefits clients as well as contractors and encourages more construction, particularly for small and medium-size construction companies.[27] Kazakhstan does not have mandatory insurance requirements to cover structural defects discovered after the completion of construction. Many advanced economies also lack specific legal requirements for such insurance, but they typically have standard contractual clauses that set the liability regime and insurance requirements for structural defects.[28] In Kazakhstan construction contracts typically do not include such provisions.

Kazakhstan could follow the example of Denmark or France, both early adopters of mandatory insurance regimes. Both require decennial (10-year) insurance. Denmark requires this insurance for the construction of new permanent dwellings. The municipality checks the validity of the insurance before issuing the building permit and, after the completion of construction, when issuing the occupancy permit. France applies the same requirement to all new buildings, regardless of their purpose.[29] It requires two levels of coverage for structural defects—insurance taken out by the owners of the building (*dommage ouvrage*) and decennial insurance taken out by the builders.

As a first step Kazakhstan could introduce voluntary mechanisms. A public-private partnership between the government and the construction association could then identify the most relevant cases for decennial insurance and develop standard contractual clauses. Alternatively, a requirement for decennial insurance could be introduced only for major projects. For example, Italy has introduced compulsory decennial insurance for public procurement projects exceeding EUR 10 million.[30]

Prevent corruption risks

Like many other countries, Kazakhstan faces corruption risks in the construction industry. Builders sometimes make unauthorized changes in approved projects or proceed without the required clearances in the hope of legalizing the building in the future. There is no system in place to prevent officials at the local architectural or construction supervision authorities from having their own interests in private project design firms. On the supervision side, reports persist of unjustified government inspections for the purposes of rent seeking.

Increasing transparency around the approval of construction projects and involving public participation is a good way of reducing corruption risks. Local governments in many advanced economies, including New Zealand and the Nordic countries, publish the building permits they issue on their websites. New Zealand requires public hearings for the approval of construction projects of a certain complexity, thus establishing a level of public oversight over the process.[31]

The issue of unjustified inspections could be addressed by introducing an "improvement notice" for first-time violations and for cases that do not represent an imminent hazard, consistent with regulatory best practices in OECD countries.[32] This would reduce the discretionary powers of the construction control agency and limit the physical inspection cases to major violations or repeated instances of deviations from the norms. Introducing formal mechanisms for appealing regulatory control measures could further strengthen the fairness of the process and prevent regulatory abuse. Such mechanisms are common in advanced economies, including New Zealand, Sweden and the United Kingdom.

NOTES

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2. "The Expenses of Construction and Installation Work by Sources of Financing," Statistics Agency of the Republic of Kazakhstan, accessed February 6, 2017, http://stat.gov.kz.
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6. The APZ is issued using a modern system of digital zoning maps and master plans.
7. For example, Kostanay Su specifies 15 calendar days for technical conditions on its website at http://kostanay-su.kz/novosti/proizvodstvenno-tekhnicheskij-otdel, accessed February 6, 2017. Akbulak, which operates in Aktobe, specifies 10 business days (14 calendar days) for the same service on its website at http://aoakbulak.kz/ru/article/tehnicheskie-usloviya, accessed February 6, 2017.
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11. While the *Doing Business* case study takes into account only water and sewerage connections, a typical building also needs connections to gas, heating and telephone networks, adding up to two more months to the process in reality.
12. The expert examination of technically complex projects is currently conducted by the State Expert Examination Agency (Gosexpertiza). The level of complexity is established by the Order of the Minister of National Economy of the Republic of Kazakhstan on Approval of Rules Determining the General Classification of Buildings and Structures for Technical and (or) Technologically Complex Objects of February 28, 2015 (no. 165), as amended by the Order of the Minister of National Economy of the Republic of Kazakhstan of November 3, 2015 (no. 685).
13. "On the Transparency of Gosexpertiza: Interview with the Head of the Gosexpertiza Branch in Almaty," June 23, 2015, http://www.k-pro.kz/ru/statii/personalii/o-prozrachnosti-gosekspertizy.html.
14. "Amount of Completed Construction Works by the Object Type, 2016," Statistics Agency of the Republic of Kazakhstan, accessed on February 6, 2017 http://stat.gov.kz.
15. The requirement for third-party supervision and in-house (or author's) supervision is stipulated by the Order of the Minister of National Economy of the Republic of Kazakhstan on Approval of Rules of Provision of Engineering Services in the Field of Architecture, Urban Planning and Construction Activities of February 3, 2015 (no. 71) (as amended on December 2, 2015), available at http://online.zakon.kz/Document/?doc_id=31683647.
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22. World Bank, *Sweden's Business Climate: Opportunities for Entrepreneurs through Improved Regulations* (Washington, DC: World Bank Group, 2014), http://documents.worldbank.org/curated/en/596101468184733693/Swedens-business-climate-opportunities-for-entrepreneurs-through-improved-regulations.
23. Order of the Minister of National Economy of the Republic of Kazakhstan on Approval of Rules of Provision of Engineering Services in the Field of Architecture, Urban Planning and Construction Activities of February 3, 2015 (no. 71) (as amended December 2, 2015), available at http://online.zakon.kz/Document/?doc_id=31683647.
24. There are two levels of mandatory supervision of construction. The first is the "author's supervision," conducted by the project design firm. Under the assumptions of the *Doing Business* case study the building company prepares the drawings in-house and thus the author's supervision is considered to be in-house supervision. The second level of inspection is conducted by a licensed private company.
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29. Except those listed in articles L243-1-1 of the Insurance Code.
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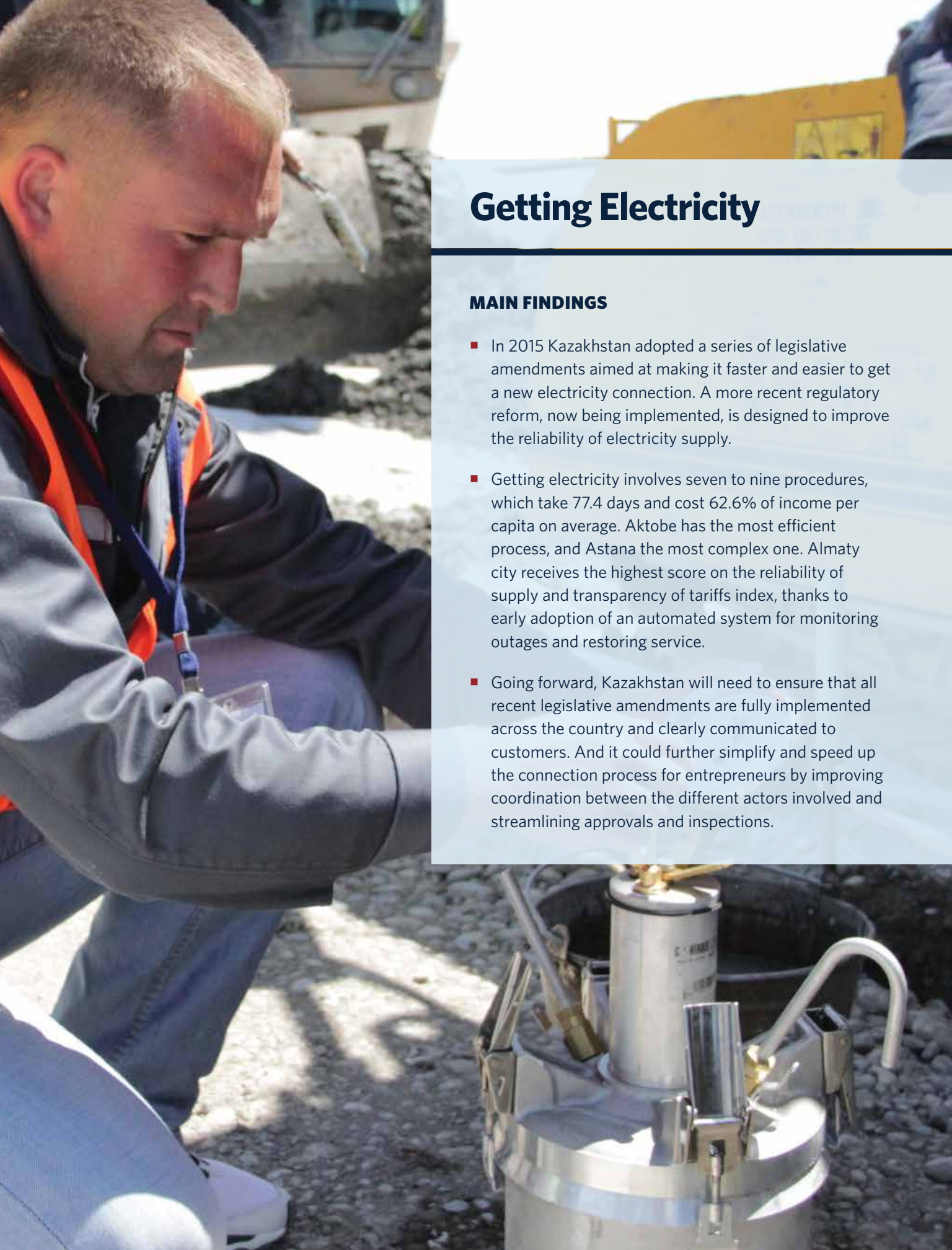


Getting Electricity

MAIN FINDINGS

- In 2015 Kazakhstan adopted a series of legislative amendments aimed at making it faster and easier to get a new electricity connection. A more recent regulatory reform, now being implemented, is designed to improve the reliability of electricity supply.
- Getting electricity involves seven to nine procedures, which take 77.4 days and cost 62.6% of income per capita on average. Aktobe has the most efficient process, and Astana the most complex one. Almaty city receives the highest score on the reliability of supply and transparency of tariffs index, thanks to early adoption of an automated system for monitoring outages and restoring service.
- Going forward, Kazakhstan will need to ensure that all recent legislative amendments are fully implemented across the country and clearly communicated to customers. And it could further simplify and speed up the connection process for entrepreneurs by improving coordination between the different actors involved and streamlining approvals and inspections.

In today's fast-paced world—where technological innovations cut production times, speed the exchange of goods and enable instant information sharing—entrepreneurs must be able to start businesses quickly and operate them easily. Key factors are the time it takes to obtain an electricity connection and the subsequent reliability and affordability of electricity supply. In some countries companies can connect their facilities to the network in less than a month; in others they need to wait more than a year.[1] Delays put entrepreneurs at a disadvantage when they enable competitors to seize market opportunities first. Unreliable electricity service is another constraint, identified as a major obstacle by nearly a third of firms surveyed around the world.[2]

Kazakhstan aims to transform its growth model so as to become a more diversified economy.[3] Central to achieving this goal is ensuring that entrepreneurs across the country have easy and timely access to electricity as well as reliable and affordable supply. Recent regulatory changes are leading to improvements on both these fronts. Yet challenges persist, intensified in this setting where investment is needed to increase generation capacity and modernize the power infrastructure.

HOW DOES GETTING ELECTRICITY WORK IN KAZAKHSTAN?

In Kazakhstan power activities are organized under the Unified Power System, a combination of power plants, transmission lines and substations. Electricity is generated by more than 100 power plants, with more than 90% of production coming from fossil fuels.[4] Transmission is handled by the state-owned Kazakhstan Electricity Grid Operating Company. Regional Electric Network Companies (RECs) are responsible for distributing electricity within regions. Each of the eight locations benchmarked is covered by a different distribution utility—whether a regional company or a company serving a single city, as in Astana. Finally, electricity supply companies sell electricity to end-users.[5]

The power industry is supervised by the Committee for State Energy Supervision and regulated by a body of laws, notably the Law on Electric Power Industry and the Rules on the Use of Electrical Energy. Both laws have been amended in recent years with the aim of making it easier to get electricity and improving the reliability of supply (box 5.1; see also box 5.2).

The process for obtaining an electricity connection is fairly standard across Kazakhstan, though there is some variation across locations because of certain practices within the purview of municipalities and distribution utilities. Seven baseline procedures common to all eight locations are required, along with one or two additional procedures in four of the locations (figure 5.1).

What does getting electricity measure?

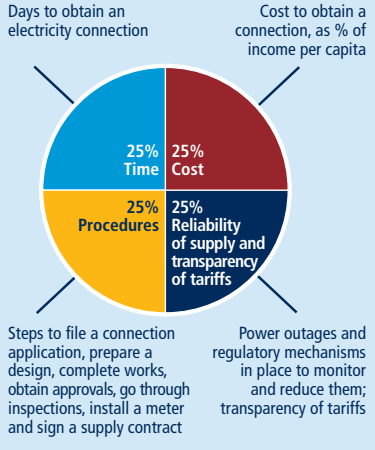
Doing Business records all procedures required for a business to obtain a permanent electricity connection and supply for a standardized warehouse. These procedures include applications and contracts with electricity utilities, all necessary inspections and clearances from the distribution utility and 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 distance to frontier 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 distance to frontier score or the ranking on the ease of getting electricity.

Getting electricity: measuring efficiency, reliability and transparency

Rankings are based on distance to frontier scores for four indicators



BOX 5.1 Recent regulatory changes are making it easier to get a new electricity connection in Kazakhstan

In early 2015 Kazakhstan adopted a series of legislative amendments aimed at making it easier to establish new electricity connections. Two of them simplify the process by reducing the number of requirements; the other three make the process faster by tightening time limits for certain actions by distribution utilities and suppliers (see table). While these regulatory changes apply throughout the country, the level of implementation varies across locations. The elimination of the need for an inspection of the completed works by the Authority for State Energy Supervision and Control is an exception, as this change has been systematically and consistently implemented across the country.

Regulatory changes introduced in early 2015 to ease the connection process

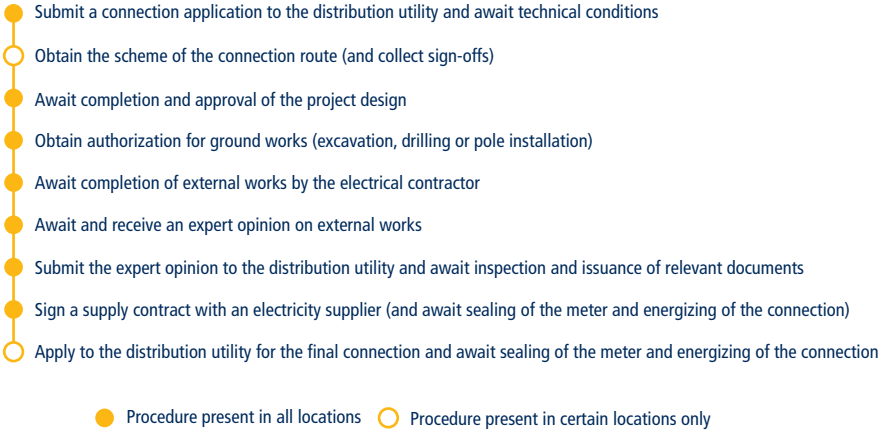
Change	Date of adoption	Law amended
Elimination of the need to obtain an inspection of the completed works and subsequent permission to connect from the Authority for State Energy Supervision and Control	January 2015	Law on Electric Power Industry[a]
Elimination of the need to obtain a permit for construction and installation works (replaced by an online notification to the relevant agency)	January 2015	Law on Architectural, Town Planning and Construction Activity[b]
Tightening of the time limit for distribution utilities to issue technical conditions (from 14 days to 5 for facilities with an installed capacity of up to 200 kilowatts)	April 2015	Rules on the Use of Electrical Energy (paragraph 13)[c]
Tightening of the time limit for distribution utilities to approve projects (from 20 days to 3 for facilities with an installed capacity of up to 200 kilowatts)	April 2015	Rules on the Use of Electrical Energy (paragraph 15)[c]
Tightening of the time limit for suppliers to issue a contract for the sale of electricity (from 7 days to 3)	April 2015	Rules on the Use of Electrical Energy (paragraph 23)[c]

a. Law of the Republic of Kazakhstan of July 9, 2004.

b. Law of the Republic of Kazakhstan of July 16, 2001. Also amended was 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.

c. Rules approved by order of the Ministry of Energy of the Republic of Kazakhstan as of February 25, 2015.

FIGURE 5.1 Obtaining an electricity connection in Kazakhstan takes seven to nine procedures



Source: Doing Business database.

The entrepreneur first submits an application for a connection to the distribution utility. Even in locations where the application can be submitted online or by email, customers usually submit their application in person at the utility's office.[6] The utility assesses whether there is a substation with sufficient capacity located close to the entrepreneur's warehouse and whether the connection should be underground or overhead. If there is enough capacity, the warehouse can be connected directly. If there is not, a new substation must be installed.[7] The utility then prepares the technical conditions—which indicate where the new connection should join the electrical grid—and shares them with the customer.

With this information in hand, a private company hired by the entrepreneur designs the new connection.[8] The design defines all the specifications needed for the construction to begin and maps the planned cabling route.

In Aktobe, Almaty city, Kostanay and South Kazakhstan (Shymkent) the company can prepare the design based solely on the technical conditions issued by the distribution utility. The design must include a cabling scheme that sketches the planned connection route on a topographic survey or similar situational map. Once finalized, the design needs to be approved by the distribution utility; the Department of Architecture; the Department of Communal Services, Passenger Transport and Roads (or its equivalent); and all other utilities whose communication lines might be affected by the new connection (such as gas, water, heating or telecommunications). Obtaining these clearances is usually part of the service provided by the designer. But in some cases the customer chooses to collect the clearances as a way to save time or money.

The process is slightly different in Astana, East Kazakhstan (Oskemen), Karagandy and Pavlodar. In these locations the entrepreneur first obtains a scheme of the connection route from the relevant entity, usually the cadastre—which adds one more procedure to the overall process. This document maps the communication networks surrounding the warehouse and indicates which route the new electricity connection (the cables) should take.[9] In Astana and Pavlodar the entrepreneur shares it with the designer, who then prepares the design and collects the necessary approvals. In East Kazakhstan (Oskemen) and Karagandy, however, the design phase can begin only after the entrepreneur collects the necessary clearances on the scheme itself, to ensure that the planned route will not disrupt other utilities' communication lines.

Whether underground or overhead, the connection will require ground works—digging, drilling or the installation of poles—and the next step is for the entrepreneur, or the construction company in charge of the works, to obtain a clearance to carry them out. While the recent reform included provisions aimed at simplifying this step, by introducing a requirement for a simple notification at this stage, these provisions are not yet fully implemented (see box 5.1). In all eight locations, therefore, the entrepreneur still needs to apply for an authorization.

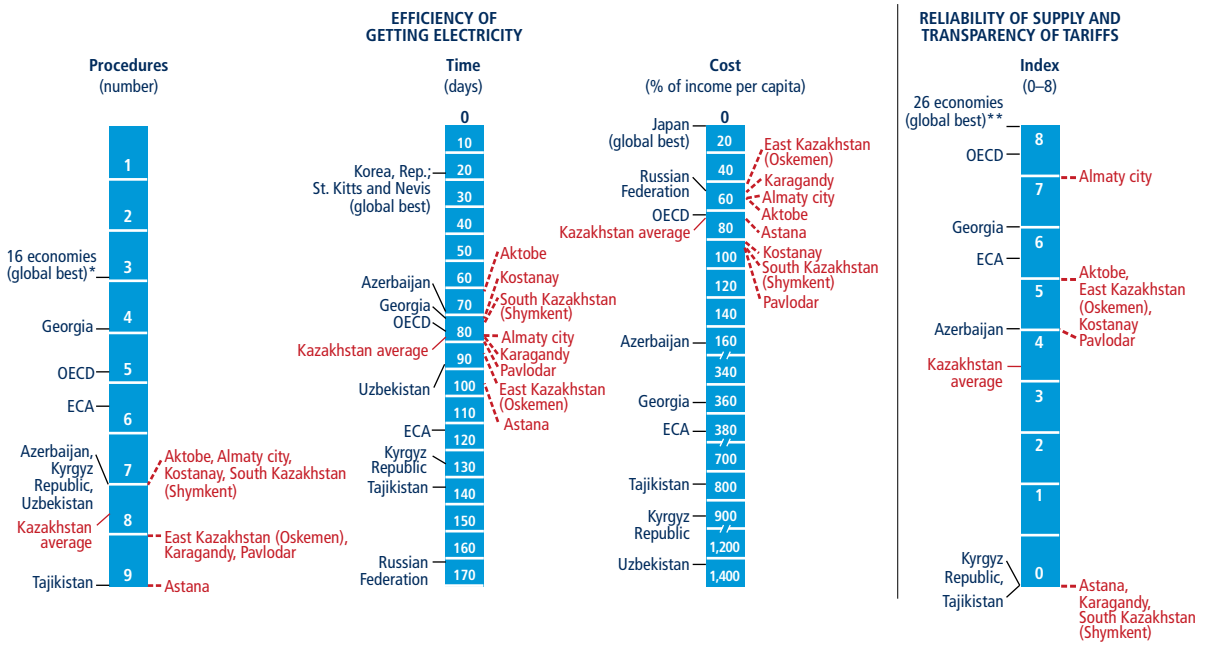
In Almaty city the entrepreneur can request the authorization online by uploading a set of documents, including the approved design. In Aktobe, East Kazakhstan (Oskemen), Karagandy, Kostanay and South Kazakhstan (Shymkent) the entrepreneur requests the authorization in person from the relevant public entity. In Astana and Pavlodar, however, the entrepreneur first needs to collect sign-offs from municipal departments and utilities whose communication lines might be affected by the ground works (the same entities that cleared the design). Only then can the entrepreneur apply for the authorization at the relevant public entity. In the other six locations the clearances collected for the design remain valid for the ground works.

For the construction of the connection, entrepreneurs usually hire a construction company to purchase the material—including the meter and, if needed, the substation—and complete the external works. This practice is most common even in locations where the distribution utility offers this service. Once the works are completed, the entrepreneur has to request an "expert opinion" from a licensed private company, which assesses compliance with the technical conditions and the approved project design. The entrepreneur then requests another inspection from the distribution utility, which comes on-site to evaluate the final works and verify that the installation of the meter and other material is correct. The distribution utility issues two documents: one providing proof of ownership of the installed material and defining the responsibility for its maintenance, and another certifying the compliance of the metering devices.[10]

Finally, the entrepreneur signs a contract with an electricity supplier. In seven of the locations the supplier notifies the distribution utility, which then comes on-site to seal the meter (if this has not been done as part of the previous step) and switch on the electricity. In Astana, however, this step is not automatic. The entrepreneur submits a request for the final connection to the distribution utility, which comes on-site to seal the meter and activate the electricity flow.[11]

On average across the eight locations benchmarked, obtaining a new electricity connection takes 7.6 procedures and 77.4 days and costs 62.6% of income per capita (figure 5.2). The number of procedures exceeds the average for Europe and Central Asia (5.6) and for OECD high-income economies (4.8). But the connection process is faster and less costly in Kazakhstan than in the neighboring countries of the Kyrgyz Republic, Tajikistan and Uzbekistan—and faster and less costly than in Europe and Central Asia on average. Indeed, it is as quick and affordable as in OECD

FIGURE 5.2 Compared with the average for Europe and Central Asia, the connection process in Kazakhstan is faster and more affordable but also more complex



Source: Doing Business database.

Note: Data on power outages used to compute the reliability of supply and transparency of tariffs index are for 2015. Because locations are not eligible to obtain a score on the index if they do not collect data on power outages, those not doing so in 2015—the case for Astana, Karagandy and South Kazakhstan (Shymkent)—receive a score of 0 on the overall index. (See box 5.2 for more information.) *OECD* is the average for OECD high-income economies; *ECA* is the average for economies of Europe and Central Asia.

* These are the Comoros; Germany; Hong Kong SAR, China; Kenya; the Republic of Korea; the former Yugoslav Republic of Macedonia; the Federated States of Micronesia; the Russian Federation; San Marino; St. Vincent and the Grenadines; Sweden; Switzerland; Taiwan, China; Timor-Leste; Togo; and the United Arab Emirates.

** These are the Belarus; Belgium; Cyprus; the Czech Republic; Estonia; Finland; France; Germany; Hong Kong SAR, China; Ireland; Japan; the Republic of Korea; Lithuania; Malaysia; the Netherlands; Norway; Portugal; the Russian Federation; the Slovak Republic; Slovenia; Spain; Sweden; Taiwan, China; the United Arab Emirates; the United Kingdom; and Uzbekistan.

high-income economies on average. On the reliability of supply and transparency of tariffs index, however, Kazakhstan has a lower average score (3.3) than Europe and Central Asia (5.2) and OECD high-income economies (7.5). But this relatively low score reflects more about the monitoring of supply reliability in three locations—Astana, Karagandy and South Kazakhstan (Shymkent)—during the relevant period than about the supply reliability itself.

The distance to frontier score for getting electricity, reflecting both the efficiency of the connection process and the quality of services provided by distribution utilities and suppliers, ranges from 73.64 in Almaty city to 41.44 in Astana, indicating that Almaty city is the closest to global best practices (table 5.1). The variation is driven by differences in three factors: the number of procedures required to obtain the connection, the time required to complete these procedures and the score on the reliability of supply and transparency of tariffs index (box 5.2). While differences in cost are also observed across locations, they have a smaller impact on the distance to frontier scores.

Among the eight locations covered, the connection process is least complex in Aktobe, Almaty city, Kostanay and South Kazakhstan (Shymkent), where only the seven baseline procedures are required. It is most complex in Astana, where the entrepreneur needs to complete two additional procedures: obtaining the scheme of the connection route as a basis for the preparation of the design, and applying at the distribution utility for the final connection.

The time required to obtain a new connection ranges from 61 days in Aktobe to 95 in Astana (figure 5.3). The variation across the eight locations stems from two main factors. First, in the four locations with the fastest processes—Aktobe, Kostanay, South Kazakhstan (Shymkent) and Almaty city—entrepreneurs do not have to obtain the scheme of the connection route as a prerequisite for the preparation of the design, saving 8 days on average. In the other four locations, where entrepreneurs do need to obtain it, the time required for this step ranges from 5 days in Karagandy to 11 in Pavlodar.

Second, locations that have the fastest connection processes overall also tend to record the shortest times for most individual procedures. For example, in Aktobe the distribution utility needs

TABLE 5.1 How close are Kazakhstani locations to the world's best regulatory practices in the area of getting electricity?

Location	Rank	Distance to frontier score (0–100)	Procedures (number)	Time (days)	Cost (% of income per capita)	Reliability of supply and transparency of tariffs index (0–8)
Almaty city	1	73.64	7	77	50.6	7
Aktobe	2	69.13	7	61	51.5	5
Kostanay	3	67.95	7	71	80.1	5
East Kazakhstan *(Oskemen)*	4	62.49	8	84	41.2	5
Pavlodar	5	59.67	8	80	83.1	4
South Kazakhstan *(Shymkent)*	6	52.21	7	72	82.4	0
Karagandy	7	47.38	8	79	49.2	0
Astana	8	41.44	9	95	62.7	0

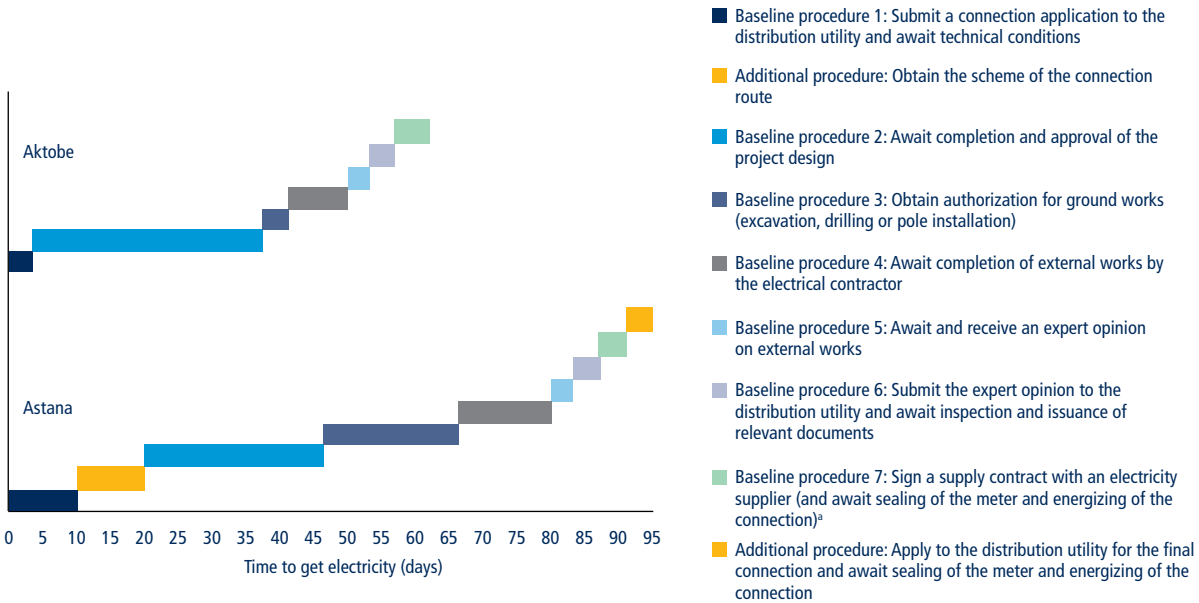
Source: Doing Business database.

Note: Rankings are based on the average distance to frontier 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 distance to frontier score is normalized to range from 0 to 100, with 100 representing the frontier of best practices (the higher the score, the better). For more details, see the chapter "About *Doing Business* and *Doing Business in Kazakhstan 2017*." Astana, Karagandy and South Kazakhstan (Shymkent) are not eligible to receive a score on the reliability of supply and transparency of tariffs index because they were not collecting data on power outages in 2015. See box 5.2 for more information.

only 4 days to issue the technical conditions for the new connection, while this takes 9 days in Karagandy and 10 in Astana. Similar differences occur in obtaining clearance for the ground works. This takes an entrepreneur 3 days in Aktobe, but it takes 20 days in Astana—because the entrepreneur first has to collect approvals from relevant municipal departments and utilities, in addition to those already collected for the design (which is also the case in Pavlodar).

The time required for construction of the connection also varies substantially. These works can be completed within a week in Kostanay and South Kazakhstan (Shymkent), but they take up to two weeks in Astana and three in Almaty city. The difference can be explained by the

FIGURE 5.3 Obtaining a new connection takes a month longer for an entrepreneur in Astana than for one in Aktobe



Source: Doing Business database.

a. Sealing of the meter and energizing of the connection take place in Aktobe in this procedure, but in Astana they occur in the very last procedure.

BOX 5.2 Measuring the reliability of supply and transparency of tariffs—going beyond efficiency

The reliability of supply and transparency of tariffs index measures the quality of service provided by utilities and suppliers as it relates to stability in distribution and clarity of information provided on consumption costs. The scoring is based on six main components, for a total of 8 possible points. The first five components relate to power outages: reliability of supply (3 points), mechanisms for monitoring outages (1 point), mechanisms for restoring service (1 point), regulatory monitoring (1 point) and financial deterrents aimed at limiting outages (1 point). The sixth relates to the transparency of electricity tariffs (1 point).

All eight locations receive the same score on two components: those on regulatory monitoring (1 point) and the transparency of tariffs (1 point). Scores on the overall index vary considerably, however (see table). Almaty city has the highest score, and Astana, Karagandy and South Kazakhstan (Shymkent) the lowest. But the difference lies much less in how reliable the electricity supply is than in how that reliability is measured. Data linked to the duration and frequency of power outages—as measured by the system average interruption duration index (SAIDI) and the system average interruption frequency index (SAIFI) or their equivalent—are from 2015. At that time Astana, Karagandy and South Kazakhstan (Shymkent) were not computing these data and therefore receive a score of 0 on the overall index, despite earning points for meeting certain other criteria.[a] The picture is changing rapidly, however, as a result of new requirements that all distribution utilities keep the duration and frequency of outages below certain thresholds.

In locations measuring outages in 2015, SAIFI data indicate that customers experienced less than two a year on average

	Almaty city	Aktobe	East Kazakhstan *(Oskemen)*	Kostanay	Pavlodar	Astana	Karagandy	South Kazakhstan *(Shymkent)*
Reliability of supply and transparency of tariffs index (0–8)	7	5	5	5	4	0	0	0
Total duration and frequency of outages per customer a year (0–3)	2	3	3	3	2	0	0	0
System average interruption duration index (SAIDI)	0.9	0.7	0.2	0.1	1.7	—	—	—
System average interruption frequency index (SAIFI)	1.2	0.4	0.2	0.5	1.4	—	—	—
Mechanisms for monitoring outages (0–1)	1	0	0	0	0	1	0	0
Does the distribution utility use automated tools to monitor outages?	Yes	No	No	No	No	Yes	No	No
Mechanisms for restoring service (0–1)	1	0	0	0	0	1	0	0
Does the distribution utility use automated tools to restore service?	Yes	No	No	No	No	Yes	No	No
Regulatory monitoring (0–1)	1	1	1	1	1	1	1	1
Does a regulator—that is, an entity separate from the utility—monitor the utility's performance on reliability of supply?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Financial deterrents aimed at limiting outages (0–1)	1	0	0	0	0	0	0	0
Does the utility either pay compensation to customers or face fines by the regulator (or both) if outages exceed a certain cap?	Yes	No	No	No	No	No	No	No
Communication of tariffs and tariff changes (0–1)	1	1	1	1	1	1	1	1
Are effective tariffs available online?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Are customers notified of a change in tariff ahead of the billing cycle?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Source: Doing Business database.

— = not available.

(continued)

BOX 5.2 Measuring the reliability of supply and transparency of tariffs—going beyond efficiency (*continued*)

As part of a regulatory reform now being implemented to improve the quality of electricity service, Kazakhstan adopted legislative amendments in April 2016 that require distribution utilities to comply with normative values for power supply reliability indicators (such as SAIDI and SAIFI) set by the Ministry of Energy.[b] Fines are imposed on utilities if the number or duration of outages exceeds these values. As a consequence, distribution utilities across the country have put in place monitoring systems or are developing them. Ontustik Zharyk Transit, which operates in South Kazakhstan (Shymkent), started monitoring power outages in January 2016. Astana-REK recently introduced an automated tool to monitor outages and restore service and started to collect data on power outages in September 2016. In parallel, some utilities that were already monitoring outages, though through manual systems (such as call centers), are now developing automated systems.

a. *Doing Business* uses SAIDI and SAIFI to measure the duration and frequency of power outages. SAIDI is the average total duration of outages over the course of a year per customer served, while SAIFI is the average number of service interruptions experienced by a customer in a year. An economy is eligible to obtain a score on the reliability of supply and transparency of tariffs index if the utility collects SAIDI and SAIFI data and if the SAIDI value is below a threshold of 100 hours and the SAIFI value below a threshold of 100 outages. An economy receives a score of 0 on the overall index if it does not compute SAIDI and SAIFI, even if the economy scores points on any other component.

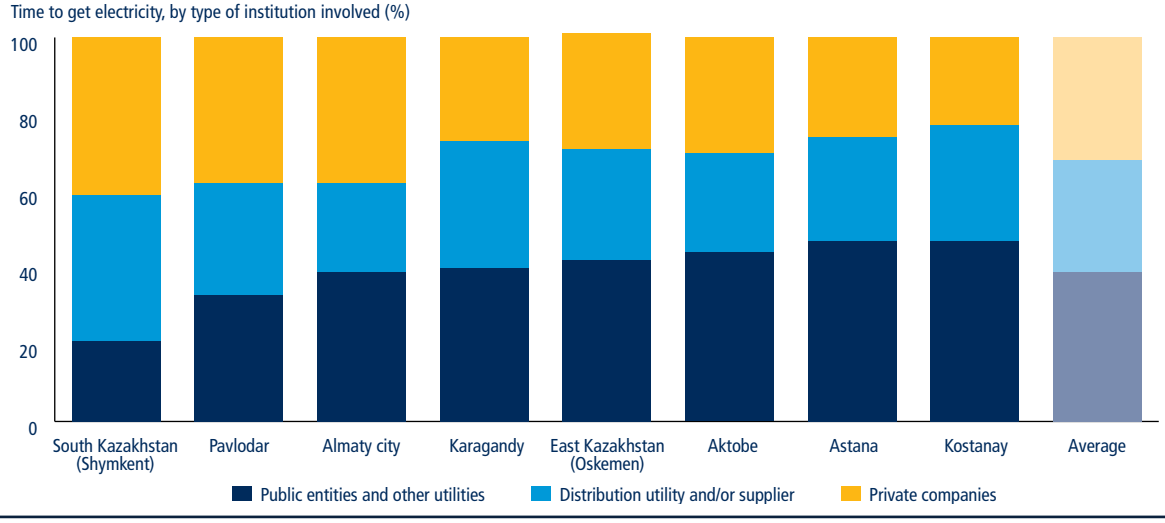
b. The amendments are to the Law on Electric Power Industry and the Code on Administrative Offenses.

type of works involved and the density of the communication networks surrounding the warehouse. In Kostanay and South Kazakhstan (Shymkent) establishing the connection involves installing poles to carry overhead cables, while in Astana and Almaty city it requires the more complex process of excavation for underground cables. On average across the eight locations, completing the connection works takes 8 days when the cables are extended overhead and 15 days when they are laid down through excavation.[12]

Finally, once the expert opinion has been issued—a step that takes from 2 to 5 days—completing the last procedures takes around a week in Almaty city and Aktobe, while it takes about twice as long in East Kazakhstan (Oskemen), Karagandy and South Kazakhstan (Shymkent). The difference can be traced to delays in obtaining the postinspection documents from the distribution utility and on-site visits to seal the meter and turn on the electricity.

Another way to break down the overall time required to obtain a new electricity connection is by the type of institution involved. On average across the eight locations, an entrepreneur has to devote 23 days to interacting with the distribution utility or supplier, 24 days to the completion of services undertaken by private companies and 30 days to interacting with municipal departments, other utilities (those responsible for such services as gas, water, heating and telecommunications) and cadastral authorities

FIGURE 5.4 Interactions with public entities and utilities in other sectors account for almost 40% of the time needed to obtain a new connection in Kazakhstan



Source: Doing Business database.

Note: Public entities include the Department of Architecture; the Department of Communal Services, Passenger Transport and Roads (or its equivalent); the Administration of State Architectural and Construction Control (GASK); and cadastral authorities. *Other utilities* are those responsible for such services as gas, water, heating and telecommunications (which are in some cases privately owned).

(where applicable).[13] While only two to three steps involve public entities and other utilities—issuance of the scheme (where applicable), collection of sign-offs and delivery of the clearance for ground works—these steps account for almost 40% of the time needed to obtain a connection on average, ranging from 21% in South Kazakhstan (Shymkent) to 47% in Astana and Kostanay (figure 5.4).

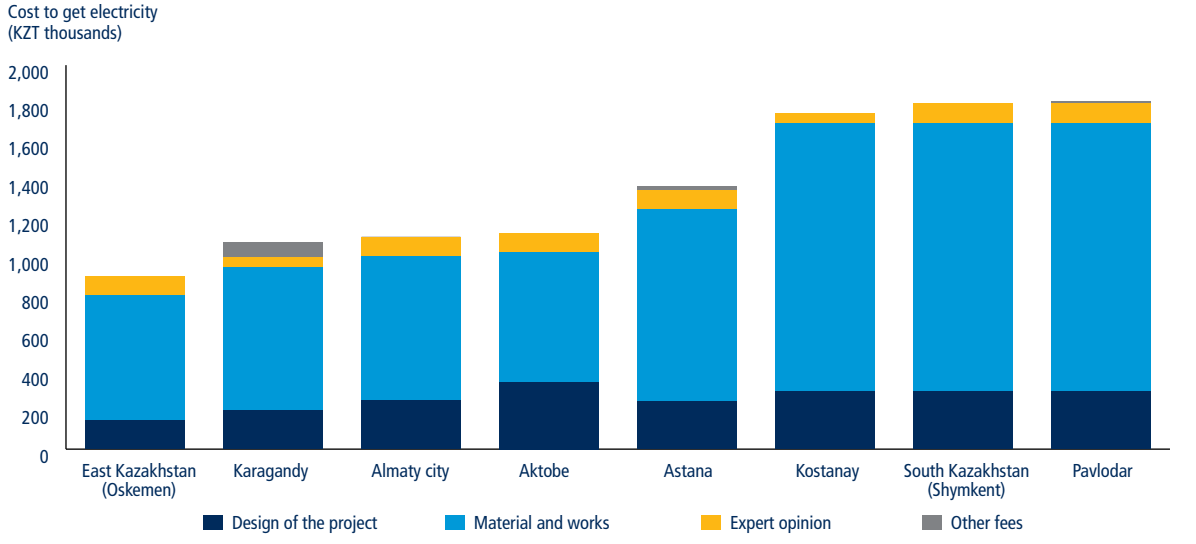
Across the eight locations, the cost to connect a warehouse to the network ranges from 41.2% of income per capita in East Kazakhstan (Oskemen) (KZT 900,000, or US$4,770) to twice that amount in Pavlodar (KZT 1,815,000, or US$9,625) (figure 5.5). The cost is notably higher in Kostanay, South Kazakhstan (Shymkent) and Pavlodar than in the other five locations, mainly because in these three locations the warehouse connection requires a new substation.[14] This raises the overall cost for two main reasons. First, because the project is more complex, the preparation of the design costs more on average in these three locations (KZT 300,000, or US$1,590) than in the other five (KZT 241,000, or US$1,280). Second, the amount paid to the construction company is much higher, because it includes the acquisition of the substation (for around KZT 1,250,000, or US$6,630) and its installation. So it is unsurprising that the average cost of external works in Kostanay, South Kazakhstan (Shymkent) and Pavlodar (KZT 1,400,000, or US$7,420) exceeds that in the other five locations (KZT 765,000, or US$4,055).[15]

Other factors influencing the cost of the design and the works include the number of contractors available to provide design or construction services, the cost of labor, the ease and affordability of sourcing materials in the locale and the level of urban development in the chosen location. In densely populated or older neighborhoods the construction of the new connection involves crossing many lines from other communication networks, which increases the complexity of the task.

Beyond these three main drivers of cost variations, an entrepreneur has to pay an additional amount to obtain the scheme of the connection route in Pavlodar (KZT 15,000, or US$80) and in Karagandy (KZT 75,000, or US$400). And in Astana an entrepreneur must pay for the visit from technicians to finalize the connection (KZT 20,000, or US$105).

In addition to the up-front cost to obtain the new connection, the entrepreneur has to pay for the electricity consumption of the warehouse. In Kazakhstan suppliers are free to set their tariffs, but all changes need to be approved by the Committee on Regulation of Natural Monopolies and Protection of Competition. For the warehouse in the *Doing Business* case study an entrepreneur would pay a cost ranging from KZT 11.80 per kilowatt-hour in East Kazakhstan (Oskemen) (KZT 317,865 per month) to KZT 22.20 per kilowatt-hour in South Kazakhstan (Shymkent) (KZT 596,880 per month)—or an average across the eight locations of KZT 17.50 per kilowatt-hour (KZT 469,120 per month).[16]

FIGURE 5.5 Installing a new substation—as required in Kostanay, South Kazakhstan (Shymkent) and Pavlodar—almost doubles the cost of the material and works



Source: Doing Business database.
Note: Other fees include the price for the issuance of the scheme of the connection route (Karagandy and Pavlodar) and the connection fees (Astana).

WHAT CAN BE IMPROVED?

This review of the process for obtaining a new electricity connection in Kazakhstan reveals opportunities for continuing to improve efficiency.

Improve workflow within distribution utilities and between the utilities and suppliers

On average across the eight locations covered, an entrepreneur connecting a warehouse to the grid needs to spend 23 days interacting with the distribution utility and the supplier to complete three procedures (four in Astana)[17]—or 29% of the total time required. Recent regulatory changes have helped shorten the time frames for these procedures, saving entrepreneurs more than a week in Almaty city, for example. Nevertheless, delays are still observed across the country.

For example, in all the locations except Aktobe, East Kazakhstan (Oskemen) and Kostanay entrepreneurs need to wait more than five days to receive the technical conditions for the new connection—a delay that survey respondents attribute to lengthy internal coordination processes as the responsible department collects information and clearances from other units. When it comes to the postconstruction inspection, distribution utilities across the country are quick to process the application and send technicians to the site. But once the inspection is done, entrepreneurs may have to wait for the issuance of the final documents: while in four of the locations this takes only a day or two, in the other four it can take an additional two to five days.

In addition, while supply contracts are issued within three days in most cases, entrepreneurs sometimes have to wait more than a week to start receiving electricity. This delay can often be attributed at least in part to a lack of coordination within the distribution utility, notably where finalizing the connection involves on-site visits by different teams (to seal the meter and turn on the electricity). Moreover, in Astana entrepreneurs have to go back to the distribution utility to apply for the final connection once they have signed the supply contract—a step that could be eliminated if the supplier notified the utility directly, as is done in all the other locations.

Improve the coordination between distribution utilities, municipal departments and other utilities

In four of the locations the private company responsible for the design can start the project immediately after the technical conditions are issued. In Astana, East Kazakhstan (Oskemen), Karagandy and Pavlodar, however, the entrepreneur first needs to obtain the scheme of the connection route ensuring that the connection will not interfere with the communication lines of other utilities (gas, water, heating, telecommunications) and that public authorities can maintain oversight of the development of all networks. With closer coordination between the distribution utility, cadastral authorities and the relevant municipal departments, this scheme could be provided together with the technical conditions issued by the distribution utility—easing the burden on the customer.

Streamline the approval processes

Collecting approvals from various municipal departments and multiple utilities—for the scheme of the connection route, the project design or the authorization for ground works—imposes a burden on entrepreneurs or their agents, who need to visit each institution and wait for each approval. The time spent collecting these approvals ranges from two weeks in South Kazakhstan (Shymkent) to one month in Almaty city. Indeed, this task accounts for 39% of the total time needed to obtain a new electricity connection in Almaty city and 45% of the total in Kostanay and Aktobe.

The main reason that this process takes so long is that different municipal departments and multiple utilities are involved and their clearances must be obtained sequentially—because each institution's representative must sign the same original document. In most locations signatures have to be collected from at least seven entities (the Department of Architecture; the Department of Communal Services, Passenger Transport and Roads; the distribution utility; and the utilities in charge of gas, water, heating and telecommunications). The process also usually requires two interactions with the Department of Architecture—one to submit the scheme or project and receive the list of required clearances, and another to submit the list once all the signatures have been collected. In addition, some institutions can sometimes take up to a month to approve a project, while others accept requests for approvals only once a week, within a certain time slot.[18]

Not surprisingly, collecting approvals is often perceived as a major bottleneck in the process of obtaining electricity in Kazakhstan—even for small projects, because the requirements remain the same. Streamlining the approval process could do much to improve the ease of getting electricity. One possible solution is to have all approvals coordinated by a single institution. This could be done through a meeting of all the parties involved or by ensuring that the scheme or project is circulated to all the parties in a timely manner.[19]

Further simplify issuance of the clearance for ground works

In 2015 Kazakhstan introduced legislative amendments aimed at simplifying the authorization of ground works (excavation, drilling or installation of poles) by replacing the requirement for a permit with a simple notification system (see box 5.1). In practice, however, the changes have not yet been fully implemented across the eight locations, leaving much room for improvement. Even in Almaty city, where the authorization process is the easiest

because it can be undertaken online, entrepreneurs must nevertheless submit an application to obtain the clearance.

In most of the locations the authorization still takes the form of a permit, which means that the entrepreneur must visit the relevant public authority in person to apply for and receive the permit. This process could be simplified by adopting the approach used in Almaty city, where the application and clearance can be done through an online platform. The entrepreneur submits an online application—together with the approved project design and list of sign-offs—to the Administration of State Architectural and Construction Control (GASK) and awaits a notification of receipt. This receipt, provided through the same online platform, serves as the formal authorization for ground works.

The process remains particularly long and burdensome in Astana and Pavlodar, where the entrepreneur or the design company needs to collect another round of approvals from various municipal departments and multiple utilities before obtaining the permit. Eliminating this extra round of sign-offs could cut substantial time from the process.

Streamline inspections of external works

Recent legislative amendments eliminated the need to obtain an inspection of the external works by the Authority for State Energy Supervision and Control, simplifying the postconstruction process and reducing the time required by seven days. But two inspections are still needed—one by a licensed expert and another by the distribution utility. These inspections are valuable because they ensure that the installation is correct and that the electrical devices comply with industry standards. Still, they represent additional interactions for the entrepreneur. Coordinating and streamlining these steps—by ensuring that there is no overlap between the two inspections and limiting the number of interactions involving the entrepreneur—would make the process not only more efficient but also less burdensome for the entrepreneur.

NOTES

1. *Doing Business* database.
2. According to 2010–17 data from World Bank Enterprise Surveys, 31.5% of the firms surveyed globally identify electricity as a major constraint to their activities. Enterprise Survey database, World Bank, http://www.enterprisesurveys.org.
3. "Kazakhstan Overview," World Bank, accessed March 2017, http://www.worldbank.org/en/country/kazakhstan/overview.
4. In 2014, 72% of the electricity was generated from coal, 19% from gas, 8% from hydro, 1% from oil and less than 1% from wind, according to International Energy Agency statistics ("Kazakhstan: Electricity and Heat for 2014," accessed March 2017, http://www.iea.org/statistics/statisticssearch/report/?year=2014&country=KAZAKHSTAN&product=ElectricityandHeat). Data on the number of power plants are from "Kazakhstan Electric Power Industry Key Factors," Kazakhstan Electricity Grid Operating Company, accessed March 2017, http://www.kegoc.kz/en/power-industry/kazakhstan-electric-power-industry-key-factors.
5. There are around 230 electricity supply companies registered in Kazakhstan, according to data from the Committee on Regulation of Natural Monopolies and Protection of Competition, Ministry of National Economy of the Republic of Kazakhstan ("Register of Power Supply Companies as of 30 September 2016," accessed April 2017, http://www.kremzk.gov.kz/rus/menu2/gosudarstvennye_uslugi/licenz/reestr_energo).
6. In Pavlodar the application form can be downloaded from the website of the utility (PREK), then submitted to the utility by email together with the required documents. In South Kazakhstan (Shymkent) applications can be submitted through the public registration online portal, in which case the customer then receives the technical conditions online. Utilities in most of the other locations are developing platforms to allow online submission.
7. For a facility like the *Doing Business* case study warehouse, establishing an underground connection to an existing substation is the most common option in Aktobe, Almaty city, Astana, East Kazakhstan (Oskemen) and Karagandy. However, in Kostanay, Pavlodar and South Kazakhstan (Shymkent) installation of a new substation is usually required and the cables are most commonly extended over the road (overhead connection).
8. In some of the locations distribution utilities also provide design services. In practice, however, it is more common for entrepreneurs to hire a private company.
9. The "scheme of the connection route" referred to in this chapter should not be confused with the "scheme of the connection" or "scheme of external power supply." That document, which does not apply to the process described in this chapter, is a longer one that maps the electrical network surrounding the warehouse and indicates capacities; it is required by distribution utilities as part of the application for technical conditions only for connections exceeding 5,000 kilowatts (which is not the case for the *Doing Business* case study warehouse).
10. The first document, the "act of segregation of electrical grid balance ownership and maintenance," is required for the next step in the process, the signing of a supply contract. The second document, the "act of meter acceptance," which confirms the serial number and technical specifications of the meter, is requested before the signing of a supply contract in only some of the locations.
11. In Astana, unlike in all the other locations, the distribution utility checks the compliance of the meter after the signing of the supply contract.
12. Pole installation is the practice in Kostanay (where it takes 5 days), South Kazakhstan (Shymkent) (7 days) and Pavlodar (12 days); drilling in Aktobe (9 days); and excavation in East Kazakhstan (Oskemen) (11 days), Karagandy (12 days), Astana (14 days) and Almaty city (22 days).
13. These interactions involve either the entrepreneur directly or the project design or construction company acting on the entrepreneur's behalf.
14. Installation of a new substation would be necessary in these three locations because in the areas where warehouses are commonly built, the low-voltage network usually has too little capacity available to allow the warehouse to be connected directly. In such cases the connection must be to the medium-voltage network and therefore requires the installation of a new substation. Customers must obtain the substation at their expense. It is installed on their property and remains under their ownership.
15. Although the cost of works is higher in Kostanay, South Kazakhstan (Shymkent) and Pavlodar, it remains relatively low if the cost of the substation is excluded. In these three locations the connection is established overhead, which is less costly overall than doing so through excavation or drilling, which is the practice in the other locations.
16. *Doing Business* calculates the consumption fees based on the following assumptions: The warehouse operates 30 days a month from 9:00 a.m. to 5:00 p.m. (eight hours a day), with equipment utilized at 80% of capacity on average. For simplicity, it is assumed that there are no electricity cuts. 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.

17. These procedures are to submit a connection application to the distribution utility and await technical conditions; submit the expert opinion to the distribution utility and await an inspection and the issuance of relevant documents; sign a supply contract with an electricity supplier and await the sealing of the meter and energizing of the connection; and, in Astana only, apply to the distribution utility for the final connection and await the sealing of the meter and energizing of the connection. In addition, the number of days includes the design approval provided by the utility (requiring four days on average), which is part of the procedure "await completion and approval of the project design."
18. As a result of the recent reform that included tightening the time limit for distribution utilities to approve projects (from 20 days to 3 for installations with installed capacity of up to 200 kilowatts, which would include the *Doing Business* case study warehouse), distribution utilities in the eight locations covered tend to approve projects faster than other institutions do. (See box 5.1 for more information on the reform.)
19. While meetings convening all parties take place in some of the locations, respondents report that going to each of the relevant municipal departments and utilities in person to collect the approval remains the common practice.

Registering Property

MAIN FINDINGS

- Over the past decade Kazakhstan has used information and communication technology to improve government services and simplify and increase the efficiency of property registration.
- In all eight locations covered by this study, registering property involves three procedures—which take 3.8 days on average and cost 0.1% of the property value. This ranks Kazakhstan among the economies with the most efficient property registration globally. Scores on the quality of land administration index reveal areas of potential improvement, however.
- Going forward, Kazakhstan will need to focus its efforts on improving the quality of its land administration system. As the country with the ninth largest land mass, its greatest challenge is expanding the system's geographic coverage. Other improvements are feasible in the short term, such as making more information publicly available in a user-friendly format.

Kazakhstan has embraced the digital age. The country has invested substantially in information and communication technology (ICT) since 2000 to improve government services.[1] According to the 2016 United Nations E-Government Survey, Kazakhstan ranks among the 32 economies with a very high score on the Online Service Index, which assesses the use of ICT to deliver government services as well as general e-government policies and strategies across 193 UN member states.[2]

Kazakhstan has used e-government to advance its goal of increasing economic prosperity as outlined in its development strategy, Kazakhstan 2030.[3] Improving property registration and land administration is among the government's priorities. Following international good practices, it has exploited ICT with the aim of simplifying procedures to save time, introducing transparent administrative processes to curb corruption and improving record keeping to ensure the reliability of government information.[4] Since kicking off its e-government campaign in 2004, Kazakhstan has made most property registration processes ICT-reliant—and as represented by Almaty city, the country places among the top 20 in the *Doing Business 2017* global ranking of 190 economies on the ease of registering property.

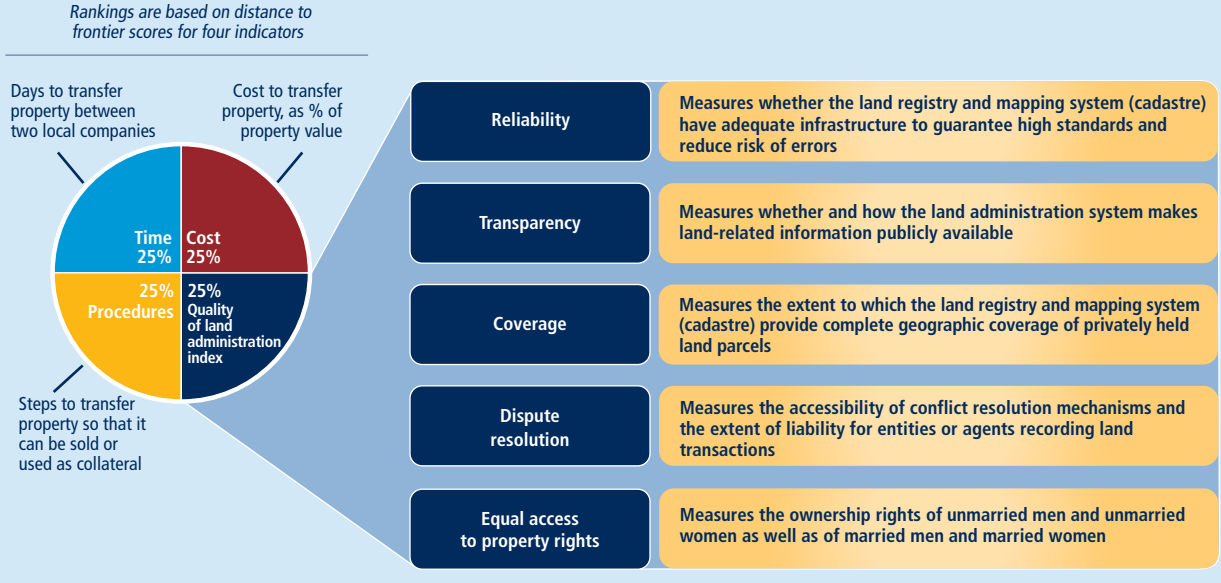
A focus on improving property registration makes sense, because property rights have proved to be important globally in supporting investment, productivity and growth.[5] Research suggests that property owners with secure ownership are more likely to invest in private enterprises and to transfer property to more efficient users. In addition, the ability to access authoritative information on ownership reduces transaction costs in financial markets and makes it easier to use property as collateral.[6]

Land registries along with cadastres identifying the location of property are tools used around the world to map, prove and secure property rights. With real property (land and buildings) accounting for between half and three-quarters of the wealth in most economies, having up-to-date land information is important.[7] There are inherent benefits for governments as well. Having reliable information in cadastres and land registries is essential for correctly assessing and collecting tax revenues. It also enables governments to map out the varying requirements of different locations and strategically plan the provision of services and infrastructure in the areas where they are most needed.

What does registering property measure?

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 (see figure).

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



HOW DOES PROPERTY REGISTRATION WORK IN KAZAKHSTAN?

The law governing property registration in Kazakhstan has been amended nearly every year over the past decade with the goal of simplifying the registration process.[8] These legal amendments have been supported by regulatory improvements reducing the complexity of registration and the time required (table 6.1). In addition, the government of Kazakhstan continues to expand the benefits of e-government by moving client-related and back-office processes online. Between 2012 and 2015, for example, it progressively broadened the options for property registration by legally authorizing notaries to electronically lodge registration applications on behalf of their clients.[9] As of 2015 only notaries can complete an electronic registration.

TABLE 6.1 Recent regulatory reforms in Kazakhstan reveal a commitment to facilitating property transfers

Year	Regulatory reform	Impact on property registration process
2014/15	Eliminated the requirement to obtain a technical passport and have the seller's and buyer's incorporation documents notarized for property transfers between companies	Reduced time requirements and procedural complexity
2013/14	Introduced effective time limits for the delivery of the technical passport and nonencumbrance certificate Introduced an expedited procedure for issuance of the technical passport Made the nonencumbrance certificate accessible through the e-government portal and public service centers	Reduced time requirements
2012/13	Introduced a fast-track procedure for property registration	Reduced time requirements
2007/08	Introduced a unified registry of all real property (land and buildings) as well as public service centers where most registration procedures can be done	Reduced time requirements and procedural complexity

Source: Doing Business database.

The property transfer process

There are two ways to transfer property in Kazakhstan. Parties can apply for a transfer at the local Government for Citizens center—a one-stop shop offering multiple government services for citizens and businesses—or go through a notary.[10] These application processes are markedly different. Registration at a Government for Citizens center is undertaken directly by the transacting parties, and the application process is paper-based. Registration through a notary is an electronic application process, done remotely from the notary's office. Overall, the majority of transactions are completed at a Government for Citizens center (box 6.1). But in the eight locations covered in this study, most businesses like those in the *Doing Business* case study use a notary.

When a notary handles the transfer of commercial property from one company to another, the process consists of three main procedures (figure 6.1). First, the notary conducts the required due diligence, confirming that the property has no encumbrances, liens or other attachments that would prevent the sale. To check the status of the property, the notary uses the Unified Notary Information System (ENIS), an electronic portal allowing access to government information pertinent to the transaction and enabling communication with government agencies.[11]

Second, the parties have their sales agreement notarized. The notary confirms

FIGURE 6.1 Only three procedures to register a property in Kazakhstan

Source: Doing Business database.

BOX 6.1 A Government for Citizens center is the preferred option for property registration, but electronic registration is catching up

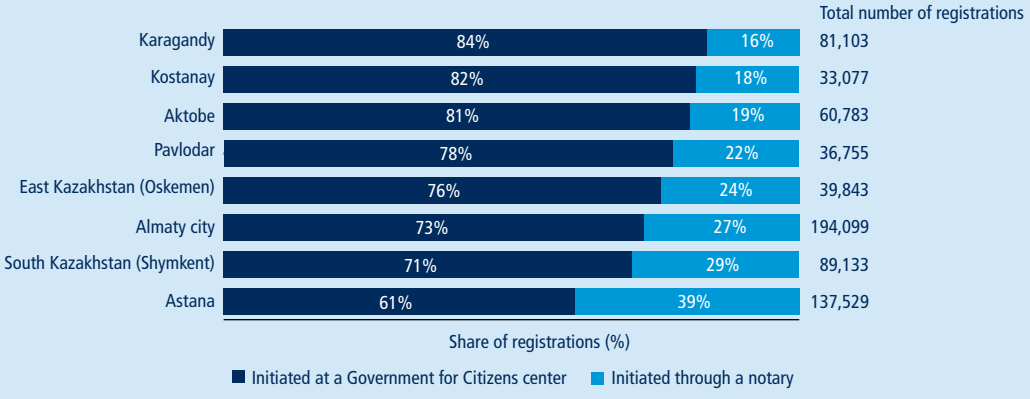
The Government for Citizens centers offer more than 500 government services, including property registration. The centers can complete many transactions on-site and also serve as front offices for services provided by other agencies.[a] For property registration, for example, the local center receives the registration application, but the Department of Justice carries out the actual registration.[b] A courier is dispatched by the Department of Justice twice a day to collect documents from the Government for Citizens center and return them after processing.

The Government for Citizens center has a time limit of three days to return the hard copy of the registered documents to the parties. Together, the steps involved in this paper-based registration process take a minimum of one week.

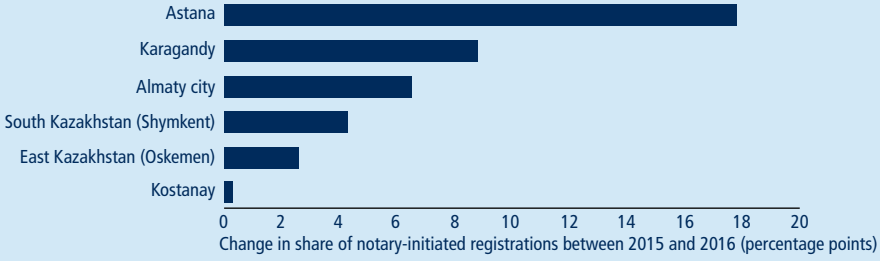
The Government for Citizens centers also offer expedited registrations. The time limit for expedited processing is one day—the same as for applications initiated through a notary. In locations where the time limits are met, transferring a property—whether through a notary or through the expedited process at a Government for Citizens center—takes 3.5 days. The state registration fee for an expedited registration is three times the standard fee, or slightly more than the cost of registration through a notary.[c]

Data from each Department of Justice on the aggregate number of property registrations show that the majority are done at Government for Citizens centers (see figure). But the share of notary-initiated electronic registrations is growing. Between 2015 and 2016 this share increased in six of the eight locations—Almaty city, Astana, East Kazakhstan (Oskemen), Karagandy, Kostanay and South Kazakhstan (Shymkent). In Astana the share of notary-initiated electronic registrations increased by nearly 18 percentage points—twice as much as in Karagandy, with the second biggest increase—while the absolute number of these registrations grew by more than 50% (from 34,899 to 53,984).

In 2016 the majority of property registrations in Kazakhstan were initiated at a Government for Citizens center…



… but electronic registration through a notary is picking up fast in most locations



Source: Department of Justice for each location covered.

Note: The share of notary-initiated electronic registrations decreased in Aktobe and Pavlodar between 2015 and 2016.

a. "Kazakhstan Citizens Can Get Over 70% of Public Services via Government for Citizens," Government of the Republic of Kazakhstan, June 3, 2016, http://www.government.kz/en/novosti/1001262-d-nazarbayeva-kazakhstan-citizens-can-get-over-70-of-public-services-via-government-for-citizens.html.

b. The Ministry of Justice oversees property registration, but in each locality it has a territorial body called a Department of Justice that carries out registrations.

c. The state registration fee is KZT 21,210 (US$112) for the standard paper-based process, and KZT 63,630 (US$337) for the expedited process through a Government for Citizens center. The total cost of using a notary for registration (notary fees plus the state registration fee) is KZT 57,267 (US$304).

the identity of the seller's and buyer's representatives and ensures that they are authorized to conduct the transaction on their company's behalf.[12] Then the notary witnesses the signing of the agreement and records the transaction in a logbook, where the parties also sign. Next, the notary transmits the registration application, along with the signed agreement, to the Department of Justice through the ENIS electronic portal. The buyer pays the state registration fee. This payment is most commonly made at the post office (KAZPOST),[13] though it can also be made through the e-government (egov) portal,[14] at a commercial bank, or at the payment desk or automated teller at a Government for Citizens center. A unique transaction number ties the payment to the registration.

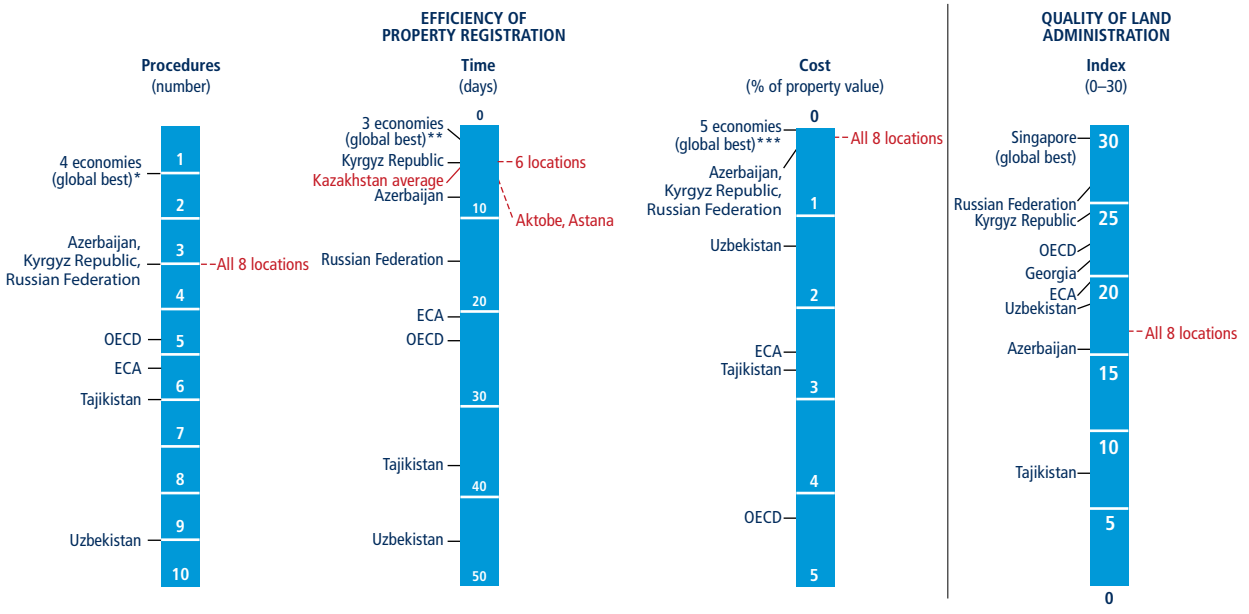
Third and last, the registration of the transfer is completed. The Department of Justice in the locality receives the registration application as soon as the payment is made. The manager of the property registration division forwards the electronic file to a registration specialist, who accesses the State Database of Property Registration to verify the validity of the transfer. The specialist then enters the sale price in the file, assigns the property to its new owner and transfers the file to the office manager for review. The file is returned to the notary for delivery to the new owner. The Department of Justice has a processing time limit of one day for completing an electronic registration.[15]

How the process compares

Across the eight locations benchmarked, completing these three procedures through a notary takes 3.8 days on average and costs 0.1% of the property value. On the number of procedures for a property transfer from one company to another, this performance is on par with that in the Russian Federation—though it narrowly falls short of the global best (one procedure), in Georgia and three other economies (figure 6.2). On time, the average performance in the eight locations also compares well: a property transfer can be completed nearly six times as fast in Kazakhstan as in OECD high-income economies on average. On cost, Kazakhstan outperforms all other economies of Europe and Central Asia except Belarus and Georgia, with the sixth lowest cost globally. But the average score on the quality of land administration index tells a different story, revealing an area of potential improvement for Kazakhstan. All eight locations obtain 16.5 of 30 possible points on this index—similar to Colombia and Serbia.

Registering a property takes a day longer in Aktobe and Astana than in the other six locations, where it requires just 3.5 days (table 6.2). The reason is that on average

FIGURE 6.2 Kazakhstani 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 OECD high-income economies; *ECA* is the average for economies of Europe and Central Asia.

* These are Georgia, Norway, Portugal and Sweden.

** These are Georgia, New Zealand and Portugal.

*** These are Belarus, Georgia, Kiribati, Saudi Arabia and the Slovak Republic.

TABLE 6.2 Where is it easy to register property in Kazakhstan—and where not?

Location	Rank	Distance to frontier score (0–100)	Procedures (number)	Time (days)	Cost (% of property value)	Quality of land administration index (0–30)
Almaty city	1	84.20	3	3.5	0.1	16.5
East Kazakhstan *(Oskemen)*	1	84.20	3	3.5	0.1	16.5
Karagandy	1	84.20	3	3.5	0.1	16.5
Kostanay	1	84.20	3	3.5	0.1	16.5
Pavlodar	1	84.20	3	3.5	0.1	16.5
South Kazakhstan *(Shymkent)*	1	84.20	3	3.5	0.1	16.5
Aktobe	7	84.08	3	4.5	0.1	16.5
Astana	7	84.08	3	4.5	0.1	16.5

Source: Doing Business database.

Note: Rankings are based on the average distance to frontier score for the procedures, time and cost associated with registering property as well as for the quality of land administration index. The distance to frontier score is normalized to range from 0 to 100, with 100 representing the frontier of best practices (the higher the score, the better). For more details, see the chapter "About *Doing Business* and *Doing Business in Kazakhstan 2017*."

in Aktobe and Astana the Department of Justice is unable to meet the one-day time limit for completing electronic registrations, instead returning the registered documents to the notary the following day (figure 6.3).

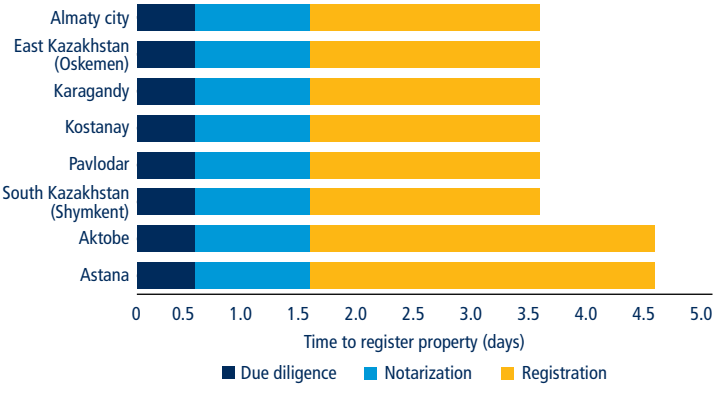
Part of the reason for the longer processing time in Astana could be a shortage of staff. Astana processed more than one and a half times as many registrations as South Kazakhstan (Shymkent) in 2016, yet has fewer staff.[16] In Aktobe the slower processing may reflect the organization of the workflow by the Department of Justice. In the other locations the specialists handle all types of transactions, while in Aktobe only 2 of 14 staff process electronic registrations.

There is no variation across the locations in the cost of registering property. Completing a property transfer electronically costs just 0.1% of the property value. This cost includes the notary's fee for drafting the sales agreement and notarizing it, the notary's service fee for initiating the transfer and the state registration fee (figure 6.4). The notary's fees are nationally regulated.[17] The state registration fee is laid out in the Tax Code, as a function of the monthly calculation index used to calculate taxes and government fees.[18]

Going beyond efficiency—the quality of land administration

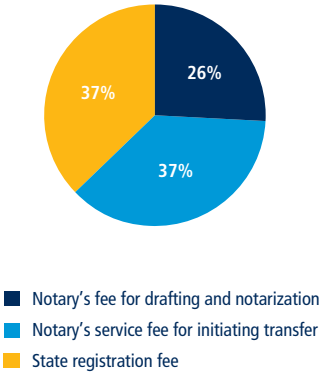
Good land administration is not just efficient and inexpensive. It ensures property owners a secure title, backed by a reliable land administration system. *Doing Business* assesses the quality of land administration systems through five measures: the reliability of infrastructure index (0–8 points); the transparency of information index (0–6); the

FIGURE 6.3 Registration takes a day longer in Aktobe and Astana than in the other six locations



Source: Doing Business database.

FIGURE 6.4 Notary fees account for nearly two-thirds of the cost to register property in Kazakhstan



Source: Doing Business database.

geographic coverage index (0–8); the land dispute resolution index (0–8); and the equal access to property rights index (−2 to 0). Results for these indices are then added for the overall score on the quality of land administration index. All eight locations in Kazakhstan receive the same score on each of the component indices and thus the same overall score (table 6.3).

A reliable land administration system provides clear information on property ownership and prevents fraudulent transactions.[19] Adequate infrastructure for keeping property records is key to ensuring reliability. The gold standard is a fully digital, unified or linked property registry and cadastral mapping system that allows staff to electronically search and update records. The eight Kazakhstani locations receive 6 of the 8 possible points on the reliability of infrastructure index. The property registry (the State Database of Property Registration) and cadastre have electronic record keeping (2 points), but the majority of historical files (titles and cadastral maps) are scanned images that cannot be searched electronically.[20] The property registry does, however, contain information on property encumbrances that can be searched electronically (1 point). This is the capability that notaries and property registration officials use in conducting due diligence on a property during the course of registration.

In addition, Kazakhstan has a geographic information system that captures, stores and analyzes geographic data (1 point).[21] Furthermore, the registry and cadastre are linked and use a common number to uniquely identify each property (2 points). The use of a unique number reduces the potential for errors in identifying a land plot and ensures that ownership and boundary data are linked across the two agencies. If the registry and cadastre's historical files were fully digital (rather than scanned), Kazakhstan would score another 2 points—1 for each agency's records being fully digital.

Transparency is assessed by how the land administration system makes land-related information publicly available. All eight locations receive 3.5 of the 6 possible points on the transparency of information index. The best practice is for registries and cadastres to make information publicly available either online or on a public board. In Kazakhstan general information—on required documents, fees and time limits for completing property transactions at the registry—is available online (1.5 points).[22] But access to information on property ownership is limited to the transacting parties and their agent (for example, a notary). Citizens can file complaints about their interactions with the registry through the Ministry of Justice's national website and also each Department of Justice's website (1 point).[23] Further boosting transparency, Kazakhstan makes statistics on the number of property transactions publicly available (0.5 points)—as one of the 56 economies doing so worldwide. These statistics are available on the Ministry of Justice's website.[24]

The cadastre posts less information. Cadastral maps for individual plots are freely available to applicants (0.5 points), but fee schedules and time limits for updating cadastral plans following modifications to a property are not publicly available. Instead, the cadastre informs clients about the time frame for completing a transaction in person, case by case. In addition, there is no separate mechanism for filing complaints about interactions with the cadastre.

Globally, only 22% of economies have a registry with full coverage of private land, and 24% a cadastre with complete coverage. Where land registries fall short of complete geographic coverage, companies and individuals cannot be sure whether the areas not covered are relevant to their interests.[25] For Kazakhstan, as the country with the ninth largest land mass, the greatest challenge in land administration has been extending its coverage of privately held land plots. None of the eight locations have achieved full coverage, and so all score 0 points on the geographic coverage index. Kazakhstan is nonetheless getting close to achieving complete cadastral coverage: nearly 90% of each region and of the entire country is covered by the cadastre, according to its website.[26] Extending the coverage of the registry and cadastre to include all privately held land would result in a score on this index of the full 8 points.

An economy with a model land administration system minimizes the number of land disputes by ensuring that clients receive accurate information, provides a state guarantee for registration and compensates parties for losses incurred as a result of errors by the property registry. In addition, it ensures that an effective and efficient court system exists to handle land disputes, and provides statistics on the number of such disputes in the first instance.[27] The eight locations each score 7 of the 8 possible points on the land dispute resolution index. The law governing property registration mandates that all property transactions must be registered at the property registry in order to be opposable to third parties (1.5 points). However, property registration is not legally subject to a state or private guarantee.[28] Kazakhstan thus diverges from the common practice of legally requiring a guarantee (such as title insurance), observed in 144 economies worldwide.

But Kazakhstan does require in-depth verification during the course of a property registration (1 point). The identity of the parties to a property transaction is checked against a national database to confirm accuracy and ownership (1 point), and documents proving the legality of the transfer are checked by the notary and the registry, both of which can be found liable for errors. The state thus provides compensation for losses incurred because of erroneous information provided by the registry (0.5 points). When land disputes do arise, parties can file claims at their local Specialized Inter-district Economic Court, where cases typically take less

TABLE 6.3 Kazakhstan scores less than two-thirds of the possible points on the quality of land administration index

Index (points scored)	Index category	Property registry	Both agencies	Cadastre	Legal requirements and resources
Reliability of infrastructure index (6 of 8 points)		Ministry of Justice → Registry	Separate but linked databases (1 of 1 point)	Government for Citizens state corporation → Cadastre	
	State of records	Computer/scanned (1 of 2 points)	n.a.	Computer/scanned (1 of 2 points)	
	Electronic database for checking encumbrances?	Yes (1 of 1 point)	n.a.	n.a.	n.a.
	Geographic information system?	n.a.	n.a.	Yes (1 of 1 point)	n.a.
	Interconnection between registry and cadastre?	n.a.	Common and unique property number (1 of 1 point)	n.a.	n.a.
Transparency of information index (3.5 of 6 points)	Who can access ownership information?	Parties and intermediaries (0 of 1 point)	n.a.	Freely accessible by anyone (0.5 of 0.5 points)	n.a.
	Fee schedule publicly available?	Yes (0.5 of 0.5 points)	n.a.	No (0 of 0.5 points)	n.a.
	List of required documents publicly available?	Yes (0.5 of 0.5 points)	n.a.	n.a.	n.a.
	Commitment to on-time delivery?	Yes (0.5 of 0.5 points)	n.a.	No (0 of 0.5 points)	n.a.
	Separate mechanism to file complaints?	Yes (1 of 1 point)	n.a.	No (0 of 0.5 points)	n.a.
	Statistics on registry's transactions publicly available?	Yes (0.5 of 0.5 points)	n.a.	n.a.	n.a.
Geographic coverage index (0 of 8 points)	Full coverage of privately held land plots?	No (0 of 4 points)	n.a.	No (0 of 4 points)	n.a.
Land dispute resolution index (7 of 8 points)	Law requires registration of property?	n.a.	n.a.	n.a.	Yes (1.5 of 1.5 points)
	Property registration is subject to a guarantee?	n.a.	n.a.	n.a.	No (0 of 0.5 points)
	Law requires compensation for losses?	n.a.	n.a.	n.a.	Yes (0.5 of 0.5 points)
	Law requires due diligence on documents and parties?	n.a.	n.a.	n.a.	Yes (1 of 1 point)
	National database to check identities?	n.a.	n.a.	n.a.	Yes (1 of 1 point)
	Time to resolve land dispute in first-instance court?	n.a.	n.a.	n.a.	Less than 1 year (3 of 3 points)
	Statistics on number of first-instance land disputes publicly available?	n.a.	n.a.	n.a.	No (0 of 0.5 points)
Equal access to property rights index (0 of 0 points)	Married and unmarried women have the same ownership rights as men?	n.a.	n.a.	n.a.	Yes (0 of 0 points)
Quality of land administration index (total score: 16.5 of 30 points)					

Source: Doing Business database.

Note: The equal access to property rights index ranges from −2 to 0 points, with higher values indicating greater equality between married or unmarried women and their male counterparts. n.a. = not applicable.

than one year to resolve (3 points). But no disaggregated data are available on the number of first-instance land disputes. Kazakhstan would score an additional 0.5 points if such statistics were available, and another 0.5 if property registration were subject to a guarantee.

In 2016 *Doing Business* added questions to the quality of land administration index to assess, in each economy, whether a person's gender has a bearing on access to property rights. The data show that in Kazakhstan married and unmarried women have the same ownership rights to property as their male counterparts (0 points). Kazakhstan is thus among the 188 economies with no gender-based restrictions on property ownership rights for unmarried women and among the 174 where married women have the same property ownership rights as their husband does.

WHAT CAN BE IMPROVED?

In adopting ICT, Kazakhstan has made improving the efficiency of the property registry a priority—and excelled in doing so. The introduction of electronic registration is one of the hallmarks of Kazakhstani authorities' efforts to simplify regulatory processes and make property registration faster. Use of this option is growing in Kazakhstan: on average across the eight locations, electronic notary-initiated registration accounted for 20% of all property registrations in 2015 and for 27% in 2016. In addition, all eight locations outperform the average for OECD high-income economies on the efficiency of property registration (as measured by procedures, time and cost). In the two locations where property registration takes a day longer—Astana and Aktobe—authorities could identify the causes of delay and take remedial action to ensure that registrations can be completed within the established time limits.

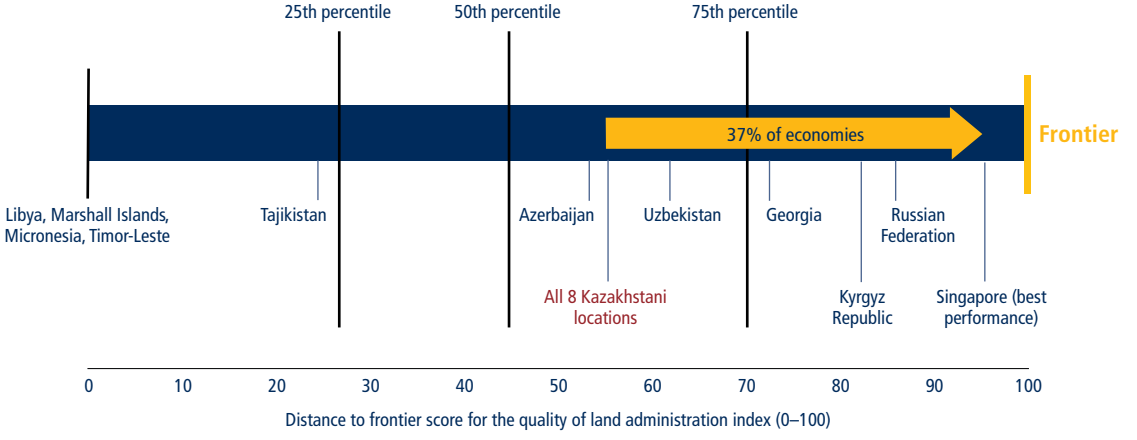
The quality of the land administration system is at least as important as its efficiency. A global comparison shows that Kazakhstan lags in this area—nearly 40% of economies are closer to the frontier of best practices as measured by the quality of land administration index (figure 6.5). The government is already working to emulate international good practices in land administration. As it implements further improvements, there are examples it could look to—such as in making information more broadly available, strengthening infrastructure, establishing a state guarantee over property registration and expanding geographic coverage.

Make information on cadastral services publicly available and establish a dedicated complaint mechanism for the cadastre

Transparency is pivotal, because it helps eliminate asymmetries in information between users and officials in land administration and increases the efficiency of the land market.[29] In Kazakhstan the property registry already makes details relevant to property transactions available online, such as costs, timelines, statistics and lists of required documents. Making information on cadastral services publicly available, and introducing a dedicated complaint mechanism for the cadastre, would also improve transparency.

The cadastre has been striving to improve transparency, but there is still work to be done. The time limits for various cadastral services are available online, but they are buried in a legislative document that does not specify the time frame for authorities to update cadastral maps.[30] Authorities might consider making all service standards—including the time limit for delivery of an updated cadastral map—available

FIGURE 6.5 Globally, 37% of economies are closer than Kazakhstan is to the frontier of best practices in the quality of land administration



Source: Doing Business database.

Note: The figure illustrates the distribution of the 190 economies in the *Doing Business* sample by their distance to frontier score for the quality of land administration index. The score is normalized to range from 0 to 100, with 100 representing the frontier of best practices (the higher the score, the better).

online in an easily accessible format. The information systems center for the cadastre (the Department of Automated Information System of the State Land Cadastre and Technical Support) posted a price list on its website in early 2017.[31] Authorities should ensure that this list includes the fee for obtaining an updated cadastral map. In addition, the cadastre's main site provides the number for a hotline for filing complaints.[32] But because the hotline is reserved for reporting corruption issues, it falls short of being an independent, separate complaint mechanism for land issues.

Finding fees, timelines and other details important to clients remains difficult because this information is spread across multiple websites. Kazakhstani authorities could look into establishing a single website allowing easy access to all land-related information for both the registry and the cadastre. One model is Sweden, which has an online system allowing anyone to access not only information on fees but also any information on plots going back 400 years.[33] When Kazakhstani authorities launch websites or make additional information publicly available, widely publicizing these events would help raise awareness among clients.

Make property ownership information publicly available

Information on the ownership of property should also be made widely available—rather than restricted to the respective owners and their agents (such as a notary conducting a transaction involving the property). Such data are important inputs for those seeking to invest in the real estate market, but Kazakhstan has restricted public access following incidents of misuse of information. Ownership information can be obtained only with the owner's permission.

A secure information system can be open to the general public—to ensure that potential investors have access to relevant data—while preventing misuse. For an example Kazakhstan could look to Lithuania, whose unified cadastral and registry database is publicly accessible by law. For each property the database includes encumbrances, ownership details, geospatial data, the physical address and geographic coordinates, and the property's average market value. Except for a few limitations aimed at protecting owners' personal information, detailed data are accessible both online and in person at the State Enterprise Center of Registers.[34]

Strengthen the infrastructure of the land administration system

Kazakhstan aims to establish a unified property registry and cadastre in 2018.[35] As the country continues to work toward this goal, it could look to some of its regional neighbors for models. In 2013 the Russian Federation created a unified electronic land and property registry by merging the state registry of property and the state topographical and cadastral mapping system. Merging the two systems helps ensure tenure security by making it easier to maintain up-to-date records on the legal rights to properties and the special characteristics of land plots.[36]

Russia also has a fully digital registry and cadastre that could serve as a model for Kazakhstan. While the majority of Kazakhstan's land records are already scanned, fully digital records offer further advantages. They enable officials to search the contents of historical titles and maps, input data and add annotations. They also allow the extraction of information from historical documents to populate new files for new transactions, which limits opportunities for human error and strengthens security.

Establish a state guarantee and make statistics on first-instance land disputes publicly available

Land makes up a substantial share of wealth in most countries.[37] So it is important to minimize the potential for land disputes. One way to do this is by ensuring that state agencies provide accurate information about ownership. In addition, many governments back their registration system with a state guarantee. Kazakhstan is among the 41 economies covered by *Doing Business* in which the government does not do so. This suggests a need to consider legislative options for establishing a guarantee over property registration, such as requiring title insurance.

When land disputes do occur, it is important to ensure that they clear the courts quickly so that citizens' resources are not perpetually tied up in the legal system. In Kazakhstan the local Specialized Interdistrict Economic Court resolves land disputes in less than a year. But these courts do not systematically make data on first-instance cases resulting from land disputes publicly available. In early 2017 the information systems center for the cadastre added a new page to its website with information on land disputes in 2016.[38] But because the data are not disaggregated, it is unclear which locations they cover and whether they are specific to first-instance court cases.

The existence of statistics on the number of first-instance land disputes in itself serves as a measure of the quality of the land administration system.[39] Across the world 24 economies provide such statistics, including Finland and Latvia. In 2013 Finnish courts settled 1,173 land disputes—1.92% of all civil cases resolved by first-instance courts. In Latvia in the same year, 234 land dispute claims were filed—0.91% of all first-instance claims. Kazakhstani authorities should consider making such statistics publicly available in a user-friendly format.

Expand geographic coverage

Increasing geographic coverage is perhaps the biggest challenge Kazakhstan faces in improving the quality of land administration. Ideally the property registry and cadastre would cover all privately held land and make the information readily available to clients.[40] Georgia might serve as an example. It achieved 100%

registration of privately held land plots in Tbilisi in 2015. The effort started in 2010, when Georgia introduced its Cadastre REG project. Over five years the project systematically mapped property rights throughout 12 pilot areas across Georgia, including Tbilisi. Besides expanding coverage, it unified the cadastre and property registry, introduced a single software system for both agencies and established a single graphic web portal allowing clients to search land plots and cadastral maps.

NOTES

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11. For more on the ENIS portal, see the website at http://enis.kz/.
12. This includes checking the parties' identification cards; the company charter; the shareholder resolution or protocol of the general shareholders' meeting allowing the sale; a power of attorney empowering the buyer and seller to act on behalf of their company; and the original property title.
13. For more on KAZPOST, see its website at https://old.post.kz/en/.
14. For the egov portal, see http://egov.kz/cms/en.
15. Law of the Republic of Kazakhstan on State Registration of Rights to Immovable Property (no. 310-III), as amended as of February 27, 2017, available at http://online.zakon.kz/Document/?doc_id=30118294#pos=0;62.
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17. Notary fees are regulated by the Law of the Republic of Kazakhstan on Notaries (no. 155), July 14, 1997, available at http://adilet.zan.kz/eng/docs/Z970000155_; and the Code of the Republic of Kazakhstan on Taxes and Other Obligatory Payments into the Budget (Tax Code) (no. 99-IV), December 10, 2008, available at http://adilet.zan.kz/eng/docs/K080000099_. See also "Tariffs for Notarial Acts," Parliament of the Republic of Kazakhstan, last modified January 20, 2017, http://enis.kz/Article/Details/101.
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24. The statistics on property transactions can be found on the Ministry of Justice's website at http://www.adilet.gov.kz/ru/taxonomy/term/200. See also http://www.adilet.gov.kz/ru/articles/otchet-o-deyatelnosti-departamenta-registracionnoy-sluzhby-i-organizacii-yuridicheskih. Statistics are also available for each locality through the Ministry of Justice's website.
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Data Notes

The indicators presented and analyzed in *Doing Business* measure business regulation and the protection of property rights—and 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 enforce a contract, go through bankruptcy or trade across borders. Third, they measure the extent of legal protections of property, for example, the protections of minority investors against looting by company directors or the range of assets that can be used as collateral according to secured transactions laws. Fourth, a set of indicators documents the tax burden on businesses. Finally, a set of data covers different aspects of employment regulation. The 11 sets of indicators measured in *Doing Business* were added over time, and the sample of economies and cities expanded.

This report presents *Doing Business* indicators for eight locations in Kazakhstan. The data for all sets of indicators in *Doing Business in Kazakhstan 2017* are current as of December 2016. The data for Almaty city and 189 other economies used for comparison are based on the indicators in *Doing Business 2017*: *Equal Opportunity for All*, the 14th in a series of annual reports published by the World Bank Group.

METHODOLOGY

The *Doing Business in Kazakhstan 2017* data 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, magistrates and other professionals routinely administering or advising on legal and regulatory requirements. These experts had several rounds of interaction with the *Doing Business in Kazakhstan* 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

Economy characteristics

Gross national income per capita

Doing Business in Kazakhstan 2017 reports 2015 income per capita as published in the World Bank's *World Development Indicators 2016*. Income is calculated using the Atlas method (in current U.S. dollars). For cost indicators expressed as a percentage of income per capita, 2015 gross national income (GNI) per capita in current U.S. dollars is used as the denominator. Kazakhstan's income per capita for 2015 is US$11,580 (KZT 2,183,859).

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 the *Doing Business in Kazakhstan 2017* report include economies from all income groups (low, lower middle, upper middle and high income), though high-income OECD economies are assigned the "regional" classification *OECD high income*.

Exchange rate

The exchange rate used in the *Doing Business in Kazakhstan 2017* report is US$1 = 188.6 Tenge (KZT).

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 regulations are collected and answers checked for accuracy. The methodology is inexpensive and 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.

CHANGES IN WHAT IS MEASURED

The *Doing Business 2017* report has three major innovations. First, it expands the paying taxes indicator set to also cover postfiling processes. Paying taxes is the final indicator set to be changed as part of the methodology update initiated in *Doing Business 2015*. Second, three indicator sets (starting a business, registering property and enforcing contracts) were expanded to cover a gender dimension, in addition to labor market regulation, which was expanded last year. Starting a business was expanded to also measure the process of starting a business when all shareholders are women. Registering property now also measures equality in ownership rights to property. And enforcing contracts was expanded to measure equality in evidentiary weight for men and women. Despite these changes in methodology introduced in the *Doing Business 2017* report, the data under the old and new methodologies are highly correlated.[1]

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 distance to frontier scores for starting a business. These scores are the simple average of the distance to frontier scores for each of the component indicators (figure 7.2). The distance to frontier score shows the distance of an economy or location to the "frontier," which is derived from the most efficient practice or highest score achieved on each indicator.

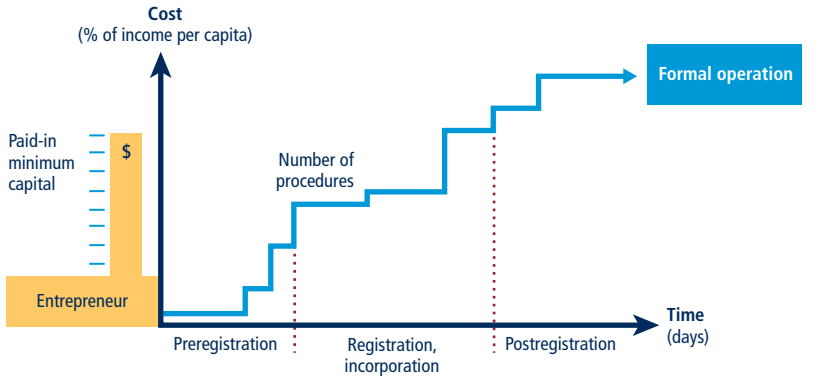
Two types of local liability companies are considered under the starting a business methodology. They are identical in all aspects, except that one company is owned by five married women and the other by five married men. The distance to frontier score for each indicator is the average of the scores obtained for each of the component indicators for both of these standardized companies.

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.

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 economies, 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?

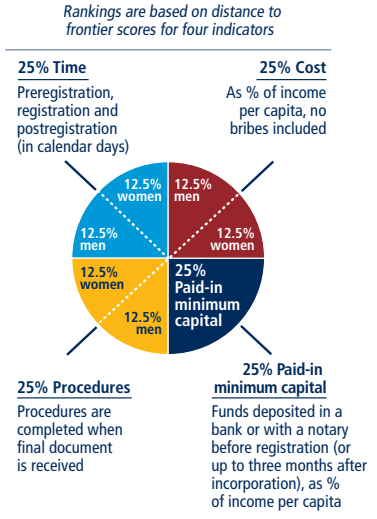


Assumptions about the business

The business:

- Is a limited liability company (or its legal equivalent).
- 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 1 times income per capita. The size of the entire office space is approximately 929 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.

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



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. Obtaining approval from a spouse to own a business or leave the home is considered a procedure if it is required by law or if by failing to do so an individual will suffer consequences under the law, such as the loss of rights to financial maintenance. Documents or permissions required for only one gender for registering and operating a company, opening a bank account or obtaining a national identification card are considered additional procedures.

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). Any interaction with an external party within three months of registration is considered a procedure, except value added tax or goods and services tax registration, which is counted whenever the assumed turnover exceeds the determined threshold.

Procedures required for official correspondence or transactions with public

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, to leave the home to register the company, or to open a bank account
Obtaining any gender-specific document for company registration and operation, national identification card or opening a bank account
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)

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 and waste disposal services are not included in the starting a business indicators.

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 province's ranking. For obtaining a spouse's approval, it is assumed that permission is granted at no additional cost unless the permission needs to be notarized. 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 ignored. 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 lawyers 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 notary before registration or up to three months after incorporation and 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. 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 Turkey in June 2015, for example, the minimum capital requirement was 10,000 Turkish liras, of which one-fourth needed to be paid before registration. The paid-in minimum capital recorded for Turkey is therefore 2,500 Turkish liras, or 10.2% of income per capita.

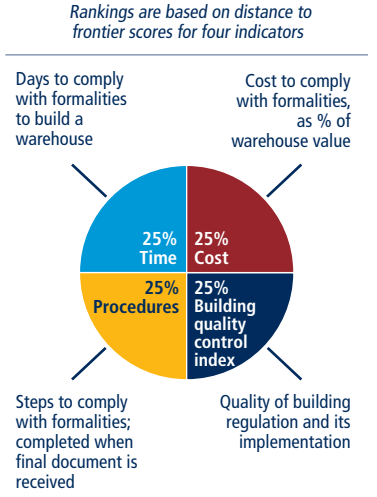
The data details on starting a business can be found at http://www.doingbusiness.org. This methodology was developed by Simeon Djankov, Rafael La Porta, Florencio López-de-Silanes and Andrei Shleifer ("The Regulation of Entry," Quarterly Journal of Economics *117, no. 1 [2002]: 1–37) and is adopted here with minor changes.*

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* measures 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 distance to frontier scores for dealing with construction permits. These scores are the simple average of the distance to frontier scores for each of the component indicators (figure 7.3).

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



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 and submitting all relevant project-specific documents (for example, building plans, site maps and certificates of urbanism) to the authorities.
- Hiring external third-party supervisors, consultants, engineers or inspectors (if necessary).
- Obtaining all necessary clearances, licenses, permits and certificates.
- Submitting all required notifications.
- Requesting and receiving all necessary inspections (unless completed by a hired 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.

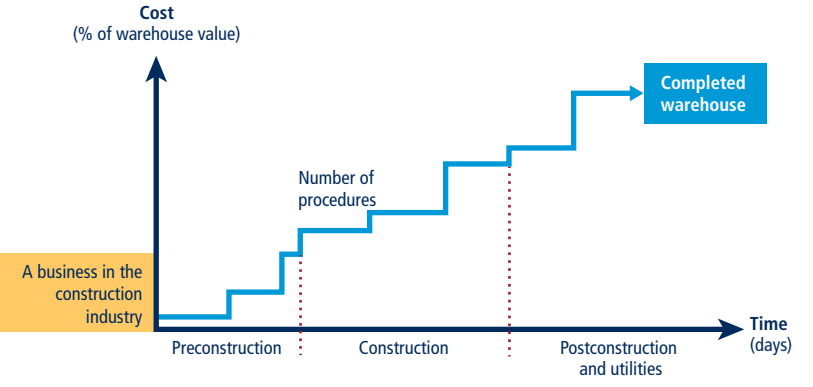
To make the data comparable across locations, several assumptions about the construction company, the warehouse project and the utility connections are used.

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 specialists, such as geological or topographical expert.
- Has paid all taxes and taken out all necessary insurance applicable to its general business activity (for example, accidental insurance for construction workers and third-person liability).
- Owns the land on which the warehouse will be built and will sell the warehouse upon its completion.

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



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.
- 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. 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 any building regulations (including the building code) or any regulations dealing with construction permits are available on a website that is updated as soon as the regulations change; 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 are distributed to building professionals through an official gazette free of charge (or for a nominal fee), if they 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 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.

The index ranges from 0 to 2, with higher values indicating clearer and more transparent building regulations. In the United Kingdom, 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 the United Kingdom 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. 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 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

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

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

drawings, and both a licensed architect and a licensed 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 (for example, 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 to conduct only 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, 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 in charge of supervising the construction, the professional or agency that conducted the inspections or the construction company; 0.5 if one of the parties is held legally liable for structural flaws or problems in the building once it is occupied; 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 the court or if liability is stipulated in a contract.
- Whether any parties involved in the construction process is 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 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 or 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 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 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 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 of 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 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 index ranges from 0 to 4, with higher values indicating greater professional certification requirements. In Cambodia, for example, the professional responsible for verifying that the architectural plans or drawings are in compliance with the building regulations must have a relevant university degree and must pass a qualification exam (a score of 1). However, the professional supervising construction must only have a university degree (a score of 0). Adding these numbers gives Cambodia a score of 1 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.

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* measures the reliability of supply and transparency of tariffs index (included in the aggregate

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

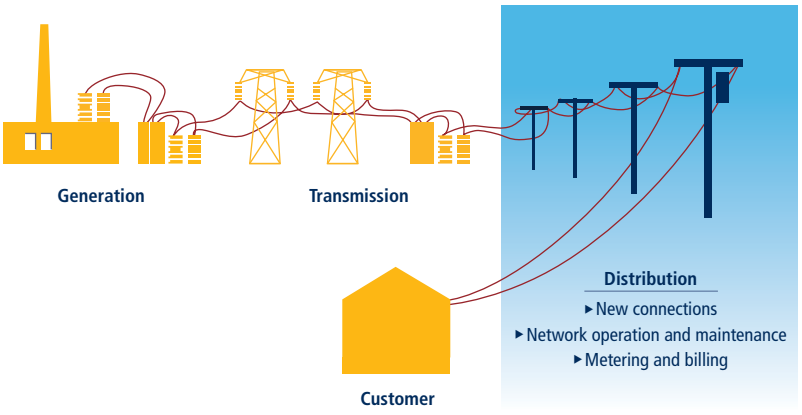
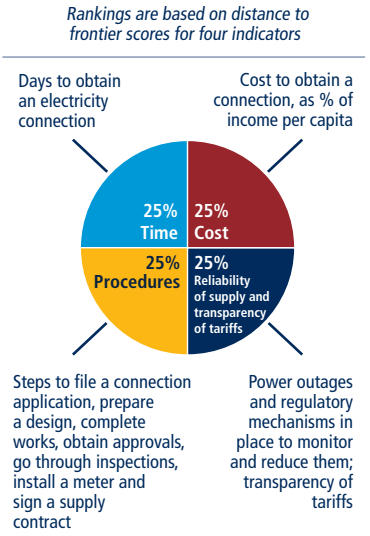


FIGURE 7.6 Getting electricity: efficiency, reliability and transparency



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

distance to frontier score and ranking on the ease of doing business) and 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 distance to frontier scores for getting electricity. These scores are the simple average of the distance to frontier 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.

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 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-ampere (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- or 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, 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

- It is assumed that 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 that there are no electricity cuts (assumed for simplicity reasons).
- 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. For all procedures, 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 are counted.

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.

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 distance to frontier score for getting electricity or the ranking on the ease of getting electricity.

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-2015 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 Honduras in June 2015 a customer requesting a 140-kVA electricity connection would have had to put up a security deposit of 126,894 Honduran lempiras (US$5,616) 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 20.66%. Over the five years of the contract this would imply a present value of lost interest earnings of 77,272.68 lempiras (US$3,420). In contrast, if the customer chose to settle the deposit with a bank guarantee at an annual rate of 2.5%, the amount lost over the five years would be just 15,861.75 lempiras (US$702).

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 include 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 value exceeds the threshold of 100 hours or the SAIFI value exceeds the threshold of 100 outages.[2] A location is also not eligible to obtain a score on the index if data on power outages are not collected.

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 Czech Republic, for example, the distribution utility company PREdistribuce uses SAIDI and SAIFI metrics to monitor and collect data on power outages. In 2015 the average total duration of power outages in Prague was 0.49 hours per customer and the average number of outages experienced by a customer was 0.33. 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. So the Czech Republic 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 an automated system (SCADA) to identify faults in the network (a score of 1) and restore electricity service (a score of 1). The national regulator 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 Czech Republic a 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 the reliability of supply and transparency of tariffs 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. An economy may also receive a score of 0 if either the SAIDI or SAIFI value (or both) exceeds the threshold of 100. For Papua New Guinea, for example, the SAIDI value (211) exceeds the threshold. Based on the criteria established, Papua New Guinea cannot receive a score on the index even though the country has regulatory monitoring of outages and there is a compensation mechanism for customers.

If an economy issued no electricity connections between June 2015 and June 2016, or if electricity is 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 the utility has in place automated systems for monitoring and restoring outages, there is regulatory oversight of utilities on power interruptions, and tariffs are publicly available.

Price of electricity

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

The price of electricity is measured in US$ 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 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.

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

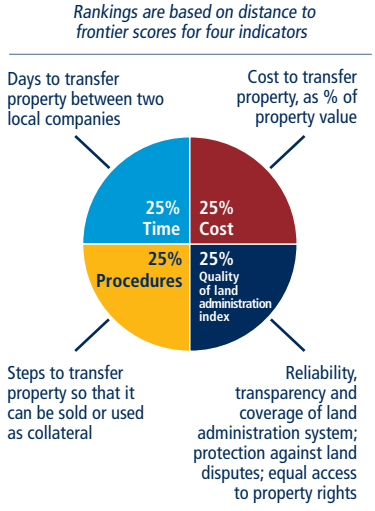
Doing Business records the full sequence of procedures necessary for a business (the buyer) to purchase a property from another business (the seller) and to transfer the property title to the buyer's name so that the buyer can use the property for expanding its business, use the property as collateral 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 distance to frontier scores for registering property. These scores are the simple average of the distance to frontier 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,

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



notaries and property registries provide information on procedures as well as the time and cost to complete each of them.

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.
- 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). It is assumed that the buyer follows the fastest legal option available and 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

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

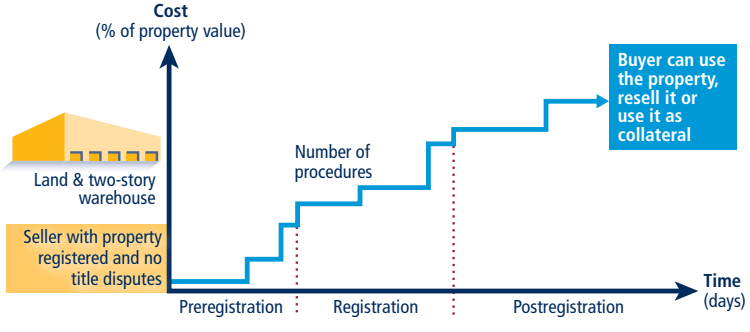


TABLE 7.5 What do the indicators on the efficiency of transferring property measure?

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 (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 property value)
Official costs only, no bribes
No value added or capital gains taxes included

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 with the exception of 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.

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 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 properties 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

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

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 to each other 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 public board or is 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 or 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 178,293 property transfers in Amsterdam in 2015 (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 the Republic of Korea, for example, all privately held land plots are formally registered at the land registry in Seoul (a score of 2) and in the economy as a whole (a score of 2). In addition, all privately held land plots are mapped in Seoul (a score of 2) and in the economy as a whole (a score of 2). Adding these numbers gives Korea 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 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 Lithuania, for example, according to the Civil Code and the Law on the Real Property Register, 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 for 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). A notary 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), in accordance with the Law on the Notary Office (Law I-2882). Lithuania has a national database to verify the accuracy of identity documents (a score of 1). In a land dispute between two Lithuanian companies over the tenure rights of a property worth US$745,000, the Vilnius District Court 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 seven land disputes in the country in 2015 (a score of 0.5). Adding these numbers gives Lithuania a score of 8 on the land dispute resolution index.

Equal access to property rights index

The equal access to property rights index has two components:

- Whether unmarried men and unmarried women have equal ownership rights to property. A score of −1 is assigned if there are unequal ownership rights to property; 0 if there is equality.
- Whether married men and married women have equal ownership rights to property. A score of −1 is assigned if there are unequal ownership rights to property; 0 if there is equality.

Ownership rights cover the ability to manage, control, administer, access, encumber, receive, dispose of and transfer property. Each restriction is considered if there is a differential treatment for men and women in the law considering the default marital property regime. For customary land systems, equality is assumed unless there is a general legal provision stating a differential treatment.

The index ranges from −2 to 0, with higher values indicating greater inclusiveness of property rights. In Mali, for example, unmarried men and unmarried women have equal ownership rights to property (a score of 0). The same applies to married men and married women, who can use their property in the same way (a score of 0). Adding these numbers gives Mali a score of 0 on the equal access to property rights index—which indicates equal property rights between men and women. In contrast, in Swaziland unmarried men and unmarried women do not have equal ownership rights to property according to the Deeds Registry Act of 1968, article 16 (a score of −1). The same applies to married men and married women, who are not permitted to use their property in the same way according to the Deeds Registry Act of 1968, articles 16 and 45 (a score of −1). Adding these numbers gives Swaziland a score of −2 on the equal access to property rights index—which indicates unequal property rights between men and women.

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.

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

NOTES

1. For more information, see the data notes in the *Doing Business 2017* report.
2. According to a study based on evidence from India between 1994 and 2005, a higher-quality electricity supply, with no more than two outages a week (or no more than about 100 a year), leads to higher nonagricultural incomes. Ujjayant Chakravorty, Martino Pelli and Beyza P. Ural Marchand, "Does the Quality of Electricity Matter? Evidence from Rural India," FEEM Working Paper 11.2014 (Fondazione Eni Enrico Mattei, Milan, 2014).

Indicator Snapshots

	Starting a business					
Location	**Procedures** (number)	**Time** (days)	**Cost** (% of income per capita)	**Paid-in minimum capital** (% of income per capita)	**Distance to frontier score** (0–100)	**Ease of starting a business** (rank)
Aktobe	6	10	2.60	0.0	89.94	8
Almaty city	5	9	0.34	0.0	91.94	5
Astana	5	8.5	0.32	0.0	92.07	1
East Kazakhstan *(Oskemen)*	6	10	1.26	0.0	90.10	7
Karagandy	5	9	0.31	0.0	91.94	3
Kostanay	6	10	0.99	0.0	90.14	6
Pavlodar	5	9	0.32	0.0	91.94	4
South Kazakhstan *(Shymkent)*	5	9	0.27	0.0	91.95	2

Note: The procedures to start a business are the same for men and women across all 8 locations measured.

	Dealing with construction permits					
Location	**Procedures** (number)	**Time** (days)	**Cost** (% of warehouse value)	**Building quality control index** (0–15)	**Distance to frontier score** (0–100)	**Ease of dealing with construction permits** (rank)
Aktobe	19	132	2.1	13	72.38	5
Almaty city	19	123	1.7	13	73.61	1
Astana	18	144	2.2	13	72.45	4
East Kazakhstan *(Oskemen)*	19	179	2.5	13	68.54	7
Karagandy	19	128	2.3	13	72.48	3
Kostanay	19	133	1.6	13	73.00	2
Pavlodar	19	137	2.3	13	71.81	6
South Kazakhstan *(Shymkent)*	19	205	2.2	13	67.03	8

	Getting electricity					
Location	**Procedures** (number)	**Time** (days)	**Cost** (% of income per capita)	**Reliability of supply and transparency of tariffs index** (0–8)	**Distance to frontier score** (0–100)	**Ease of getting electricity** (rank)
Aktobe	7	61	51.5	5	69.13	2
Almaty city	7	77	50.6	7	73.64	1
Astana	9	95	62.7	0	41.44	8
East Kazakhstan *(Oskemen)*	8	84	41.2	5	62.49	4
Karagandy	8	79	49.2	0	47.38	7
Kostanay	7	71	80.1	5	67.95	3
Pavlodar	8	80	83.1	4	59.67	5
South Kazakhstan *(Shymkent)*	7	72	82.4	0	52.21	6

	Registering property					
Location	**Procedures** (number)	**Time** (days)	**Cost** (% of property value)	**Quality of land administration index** (0–30)	**Distance to frontier score** (0–100)	**Ease of registering property** (rank)
Aktobe	3	4.5	0.1	16	84.08	7
Almaty city	3	3.5	0.1	16	84.20	1
Astana	3	4.5	0.1	16	84.08	7
East Kazakhstan *(Oskemen)*	3	3.5	0.1	16	84.20	1
Karagandy	3	3.5	0.1	16	84.20	1
Kostanay	3	3.5	0.1	16	84.20	1
Pavlodar	3	3.5	0.1	16	84.20	1
South Kazakhstan *(Shymkent)*	3	3.5	0.1	16	84.20	1

Location Snapshots

AKTOBE

Aggregate rank (1–8): 2	Distance to frontier 4 indicator average (0–100): 78.88	Population: 834,768

Starting a business (rank)	8	**Getting electricity** (rank)	2
Distance to frontier score (0–100)	89.94	Distance to frontier score (0–100)	69.13
Procedures (number)	6	Procedures (number)	7
Time (days)	10	Time (days)	61
Cost (% of income per capita)	2.60	Cost (% of income per capita)	51.5
Minimum capital (% of income per capita)	0.0	Reliability of supply and transparency of tariffs index (0–8)	5
Dealing with construction permits (rank)	5	**Registering property** (rank)	7
Distance to frontier score (0–100)	72.38	Distance to frontier score (0–100)	84.08
Procedures (number)	19	Procedures (number)	3
Time (days)	132	Time (days)	4.5
Cost (% of warehouse value)	2.1	Cost (% of property value)	0.1
Building quality control index (0–15)	13	Quality of land administration index (0–30)	16.5

ALMATY CITY

Aggregate rank (1–8): 1	Distance to frontier 4 indicator average (0–100): 80.85	Population: 1,703,481

Starting a business (rank)	5	**Getting electricity** (rank)	1
Distance to frontier score (0–100)	91.94	Distance to frontier score (0–100)	73.64
Procedures (number)	5	Procedures (number)	7
Time (days)	9	Time (days)	77
Cost (% of income per capita)	0.34	Cost (% of income per capita)	50.6
Minimum capital (% of income per capita)	0.0	Reliability of supply and transparency of tariffs index (0–8)	7
Dealing with construction permits (rank)	1	**Registering property** (rank)	1
Distance to frontier score (0–100)	73.61	Distance to frontier score (0–100)	84.20
Procedures (number)	19	Procedures (number)	3
Time (days)	123	Time (days)	3.5
Cost (% of warehouse value)	1.7	Cost (% of property value)	0.1
Building quality control index (0–15)	13	Quality of land administration index (0–30)	16.5

ASTANA

Aggregate rank (1–8): 8	Distance to frontier 4 indicator average (0–100): 72.51	Population 853,153

Starting a business (rank)	1	**Getting electricity** (rank)	8
Distance to frontier score (0–100)	92.07	Distance to frontier score (0–100)	41.44
Procedures (number)	5	Procedures (number)	9
Time (days)	8.5	Time (days)	95

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 8 locations.

Cost (% of income per capita)	0.32
Minimum capital (% of income per capita)	0.0
Dealing with construction permits (rank)	**4**
Distance to frontier score (0–100)	72.45
Procedures (number)	18
Time (days)	144
Cost (% of warehouse value)	2.2
Building quality control index (0–15)	13

Cost (% of income per capita)	62.7
Reliability of supply and transparency of tariffs index (0–8)	0
Registering property (rank)	**7**
Distance to frontier score (0–100)	84.08
Procedures (number)	3
Time (days)	4.5
Cost (% of property value)	0.1
Quality of land administration index (0–30)	16.5

EAST KAZAKHSTAN *(OSKEMEN)*

Aggregate rank (1–8): 5 | Distance to frontier 4 indicator average (0–100): 76.33 | Population: 1,395,797

Starting a business (rank)	**7**
Distance to frontier score (0–100)	90.10
Procedures (number)	6
Time (days)	10
Cost (% of income per capita)	1.26
Minimum capital (% of income per capita)	0.0
Dealing with construction permits (rank)	**7**
Distance to frontier score (0–100)	68.54
Procedures (number)	19
Time (days)	179
Cost (% of warehouse value)	2.5
Building quality control index (0–15)	13

Getting electricity (rank)	**4**
Distance to frontier score (0–100)	62.49
Procedures (number)	8
Time (days)	84
Cost (% of income per capita)	41.2
Reliability of supply and transparency of tariffs index (0–8)	5
Registering property (rank)	**1**
Distance to frontier score (0–100)	84.20
Procedures (number)	3
Time (days)	3.5
Cost (% of property value)	0.1
Quality of land administration index (0–30)	16.5

KARAGANDY

Aggregate rank (1–8): 6 | Distance to frontier 4 indicator average (0–100): 74.00 | Population: 1,384,889

Starting a business (rank)	**3**
Distance to frontier score (0–100)	91.94
Procedures (number)	5
Time (days)	9
Cost (% of income per capita)	0.31
Minimum capital (% of income per capita)	0.0
Dealing with construction permits (rank)	**3**
Distance to frontier score (0–100)	72.48
Procedures (number)	19
Time (days)	128
Cost (% of warehouse value)	2.3
Building quality control index (0–15)	13

Getting electricity (rank)	**7**
Distance to frontier score (0–100)	47.38
Procedures (number)	8
Time (days)	79
Cost (% of income per capita)	49.2
Reliability of supply and transparency of tariffs index (0–8)	0
Registering property (rank)	**1**
Distance to frontier score (0–100)	84.20
Procedures (number)	3
Time (days)	3.5
Cost (% of property value)	0.1
Quality of land administration index (0–30)	16.5

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 8 locations.

KOSTANAY

Aggregate rank (1–8): 3	Distance to frontier 4 indicator average (0–100): 78.82	Population: 883,640

Starting a business (rank)	6	**Getting electricity** (rank)	3
Distance to frontier score (0–100)	90.14	Distance to frontier score (0–100)	67.95
Procedures (number)	6	Procedures (number)	7
Time (days)	10	Time (days)	71
Cost (% of income per capita)	0.99	Cost (% of income per capita)	80.1
Minimum capital (% of income per capita)	0.0	Reliability of supply and transparency of tariffs index (0–8)	5
Dealing with construction permits (rank)	2	**Registering property** (rank)	1
Distance to frontier score (0–100)	73.00	Distance to frontier score (0–100)	84.20
Procedures (number)	19	Procedures (number)	3
Time (days)	133	Time (days)	3.5
Cost (% of warehouse value)	1.6	Cost (% of property value)	0.1
Building quality control index (0–15)	13	Quality of land administration index (0–30)	16.5

PAVLODAR

Aggregate rank (1–8): 4	Distance to frontier 4 indicator average (0–100): 76.90	Population: 758,479

Starting a business (rank)	4	**Getting electricity** (rank)	5
Distance to frontier score (0–100)	91.94	Distance to frontier score (0–100)	59.67
Procedures (number)	5	Procedures (number)	8
Time (days)	9	Time (days)	80
Cost (% of income per capita)	0.32	Cost (% of income per capita)	83.1
Minimum capital (% of income per capita)	0.0	Reliability of supply and transparency of tariffs index (0–8)	4
Dealing with construction permits (rank)	6	**Registering property** (rank)	1
Distance to frontier score (0–100)	71.81	Distance to frontier score (0–100)	84.20
Procedures (number)	19	Procedures (number)	3
Time (days)	137	Time (days)	3.5
Cost (% of warehouse value)	2.3	Cost (% of property value)	0.1
Building quality control index (0–15)	13	Quality of land administration index (0–30)	16.5

SOUTH KAZAKHSTAN *(SHYMKENT)*

Aggregate rank (1–8): 7	Distance to frontier 4 indicator average (0–100): 73.85	Population: 2,841,307

Starting a business (rank)	2	**Getting electricity** (rank)	6
Distance to frontier score (0–100)	91.95	Distance to frontier score (0–100)	52.21
Procedures (number)	5	Procedures (number)	7
Time (days)	9	Time (days)	72
Cost (% of income per capita)	0.27	Cost (% of income per capita)	82.4
Minimum capital (% of income per capita)	0.0	Reliability of supply and transparency of tariffs index (0–8)	0
Dealing with construction permits (rank)	8	**Registering property** (rank)	1
Distance to frontier score (0–100)	67.03	Distance to frontier score (0–100)	84.20
Procedures (number)	19	Procedures (number)	3
Time (days)	205	Time (days)	3.5
Cost (% of warehouse value)	2.2	Cost (% of property value)	0.1
Building quality control index (0–15)	13	Quality of land administration index (0–30)	16.5

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 8 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 2016*		**Aktobe**	**Almaty city**	**Astana**	**East Kazakhstan** *(Oskemen)*	**Karagandy**	**Kostanay**	**Pavlodar**	**South Kazakhstan** *(Shymkent)*
1. Retain a lawyer to prepare the incorporation documents	Time (days)	1	n.a.	n.a.	1	n.a.	1	n.a.	n.a.
	Cost (KZT)	50,000	n.a.	n.a.	20,000	n.a.	15,000	n.a.	n.a.
2. State registration of legal entity on egov (online)	Time (days)	1	1	0 .5	1	1	1	1	1
	Cost (KZT)	no cost	no cost	no cost	no cost	no cost	no cost	no cost	no cost
3. Make a company seal	Time (days)	1	1	1	1	1	1	1	1
	Cost (KZT)	5,667	6,200	5,820	6,500	5,650	5,407	5,845	4,800
4. Register for VAT at the State Revenue Committee of the Ministry of Finance*	Time (days)	7	7	7	7	7	7	7	7
	Cost (KZT)	1,125	1,125	1,125	1,125	1,125	1,125	1,125	1,125
5. Provide employees with mandatory accident insurance*	Time (days)	2	1	2	1	1	1	1	1
	Cost (KZT)	no cost	no cost	no cost	no cost	no cost	no cost	no cost	no cost
6. Open the company account in the bank*	Time (days)	1	1	1	1	1	1	1	1
	Cost (KZT)	no cost	no cost	no cost	no cost	no cost	no cost	no cost	no cost

Source: Doing Business database.
* Takes place simultaneously with another procedure.
Note: The data details can be found for each location at: http//doingbusiness.org/kazakhstan. The procedures to start a business are the same for men and women across all 8 locations measured. n.a. = not applicable.

REGISTERING PROPERTY

Procedures required to transfer property, by location

Property value: KZT 109,192,930 *Data as of: December 2016*		Aktobe	Almaty city	Astana	East Kazakhstan *(Oskemen)*	Karagandy	Kostanay	Pavlodar	South Kazakhstan *(Shymkent)*
Conduct due diligence on the property	Time (days)	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
	Cost (KZT)	no cost	no cost	no cost	no cost	no cost	no cost	no cost	no cost
Notarization of the sale-purchase agreement	Time (days)	1	1	1	1	1	1	1	1
	Cost (KZT)	36,057	36,057	36,057	36,057	36,057	36,057	36,057	36,057
Registration of the title document at the Department of Justice	Time (days)	3	2	3	2	2	2	2	2
	Cost (KZT)	21,210	21,210	21,210	21,210	21,210	21,210	21,210	21,210

Source: Doing Business database.
Note: The data details can be found for each location at http//doingbusiness.org/kazakhstan.

Quality of land administration index

	Aktobe	Almaty city	Astana	East Kazakhstan *(Oskemen)*	Karagandy	Kostanay	Pavlodar	South Kazakhstan *(Shymkent)*
Quality of land administration index (0–30)	**16.5**	**16.5**	**16.5**	**16.5**	**16.5**	**16.5**	**16.5**	**16.5**
Reliability of infrastructure index (0–8)	6	6	6	6	6	6	6	6
Transparency of information index (0–6)	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
Land dispute resolution index (0–8)	7	7	7	7	7	7	7	7
Equal access to property rights index (-2–0)	0	0	0	0	0	0	0	0

Source: Doing Business database.
Note: The data details for the Quality of land administration index can be found for each location at http//doingbusiness.org/kazakhstan.

DEALING WITH CONSTRUCTION PERMITS

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

Warehouse value: KZT 109,192,930 *Data as of: December 2016*		**Aktobe**	**Almaty city**	**Astana**	**East Kazakhstan** *(Oskemen)*	**Karagandy**	**Kostanay**	**Pavlodar**	**South Kazakhstan** *(Shymkent)*
1. Request and obtain land allocation permit from Almaty City Akimat**	Time (days)	n.a.	10	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Cost (KZT)	n.a.	no cost	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
2. Obtain geological survey of the land plot	Time (days)	15	14	17	30	26	15	21	30
	Cost (KZT)	350,000	375,000	565,766	500,000	378,000	225,000	362,500	325,000
3. Obtain topographic survey of the land plot*	Time (days)	7	7	14	7	6	7	14	10
	Cost (KZT)	50,000	35,000	45,000	40,000	43,250	22,000	30,000	34,250
4. Request and obtain technical conditions for the connection to water supply and sewerage service	Time (days)	14	n.a.	n.a.	13	11	7	15	24
	Cost (KZT)	no cost	n.a.	n.a.	no cost	no cost	no cost	no cost	no cost
5. Request and obtain architectural planning assignment (APZ)	Time (days)	15	10	20	22	5	14	14	23
	Cost (KZT)	no cost	no cost	no cost	no cost	no cost	no cost	no cost	no cost
6. Request and obtain approval of the architectural drawings (Eskiz) from the department of architecture and town planning	Time (days)	15	25	23	13	14	22	7	17
	Cost (KZT)	no cost	no cost	no cost	no cost	no cost	no cost	no cost	no cost
7. Request and obtain clearance of the plans for engineering networks from the water and sewerage authority	Time (days)	14	10	7	9	7	7	14	20
	Cost (KZT)	no cost	no cost	no cost	no cost	no cost	no cost	no cost	no cost
8. Request and obtain clearance of the plans for engineering networks from the Department of Architecture	Time (days)	5	7	14	15	7	11	10	11
	Cost (KZT)	no cost	no cost	no cost	no cost	no cost	no cost	no cost	no cost
9. Submit project documentation to the single window to undergo expert evaluation	Time (days)	25	14	30	33	30	23	15	30
	Cost (KZT)	416,470	321,248	350,000	402,094	482,940	250,000	362,500	402,094
10. Hire construction supervision company/specialist (tekhnadzor)*	Time (days)	1	1	1	1	1	1	1	1
	Cost (KZT)	1,364,912	981,115	1,178,680	1,637,894	1,474,105	1,095,965	1,637,894	1,500,000
11. Notify the Administration of State Architectural and Construction Control (GASK) about the start of construction	Time (days)	1	1	1	1	1	1	1	1
	Cost (KZT)	no cost	no cost	no cost	no cost	no cost	no cost	no cost	no cost
12. Receive inspection from Administration of State Architectural and Construction Control (GASK) before the start of construction	Time (days)	1	1	1	1	1	1	1	1
	Cost (KZT)	no cost	no cost	no cost	no cost	no cost	no cost	no cost	no cost
13. Receive inspection of the land plot from water and sewerage authorities	Time (days)	1	1	1	1	1	1	1	1
	Cost (KZT)	no cost	no cost	no cost	no cost	no cost	no cost	no cost	no cost
14. Receive inspection from water and sewerage authorities and connect to the water and sewerage systems	Time (days)	1	6	1	1	1	1	1	1
	Cost (KZT)	45,000	no cost	140,038	39,000	7,600	21,000	15,000	41,010
15. Request a technical passport	Time (days)	1	1	1	1	1	1	1	1
	Cost (KZT)	2,465	26,800	2,465	2,465	2,465	2,465	2,465	2,465

16. Receive a technical inspection for the issuance of technical passport	Time (days)	1	1	1	1	1	1	1	1
	Cost (KZT)	no cost	no cost	no cost	no cost	no cost	no cost	no cost	no cost
17. Obtain a technical passport	Time (days)	14	18	15	22	15	14	18	30
	Cost (KZT)	68,822	800	68,822	68,822	68,822	68,822	68,822	68,822
18. Register the Act of Acceptance at the Administration of State Architectural and Construction Control (GASK)	Time (days)	1	1	1	1	1	1	1	1
	Cost (KZT)	no cost	no cost	no cost	no cost	no cost	no cost	no cost	no cost
19. Register the Act of Acceptance at the Department of Architecture*	Time (days)	1	1	1	1	1	1	1	1
	Cost (KZT)	no cost	no cost	no cost	no cost	no cost	no cost	no cost	no cost
20. Register BuildCo's right to the warehouse	Time (days)	7	2	10	14	5	12	15	12
	Cost (KZT)	21,210	63,630	21,210	21,210	21,210	21,210	21,210	21,210

Source: Doing Business database.

* Takes place simultaneously with another procedure.

** This procedure is required only in Almaty city.

Note: The data details can be found for each location at http//doingbusiness.org/kazakhstan. n.a. = not applicable.

Building quality control index								
	Aktobe	**Almaty city**	**Astana**	**East Kazakhstan** *(Oskemen)*	**Karagandy**	**Kostanay**	**Pavlodar**	**South Kazakhstan** *(Shymkent)*
Building quality control index (0–15)	**13**	**13**	**13**	**13**	**13**	**13**	**13**	**13**
Quality of building regulations index (0–2)	2	2	2	2	2	2	2	2
Quality control before construction index (0–1)	1	1	1	1	1	1	1	1
Quality control during construction index (0–3)	2	2	2	2	2	2	2	2
Quality control after construction index (0–3)	3	3	3	3	3	3	3	3
Liability and insurance regimes index (0–2)	1	1	1	1	1	1	1	1
Professional certifications index (0–4)	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 2016		Aktobe	Almaty city	Astana	East Kazakhstan *(Oskemen)*	Karagandy	Kostanay	Pavlodar	South Kazakhstan *(Shymkent)*
1. Submit a connection application to the distribution utility and await technical conditions	Time (days)	4	7	10	5	9	5	7	7
	Cost (KZT)	no cost	no cost	no cost	no cost	no cost	no cost	no cost	no cost
2. Obtain the scheme of the connection route (and collect sign-offs)*	Time (days)	n.a.	n.a.	10	26	25	n.a.	11	n.a.
	Cost (KZT)	n.a.	n.a.	no cost	no cost	75,000	n.a.	15,000	n.a.
3. Await completion and approval of the project design	Time (days)	34	33	26	13	14	41	28	34
	Cost (KZT)	350,000	255,000	250,000	150,000	200,000	300,000	300,000	300,000
4. Obtain authorization for ground works (excavation, drilling or pole installation)	Time (days)	3	4	20	9	4	4	6	4
	Cost (KZT)	no cost	no cost	no cost	no cost	no cost	no cost	no cost	no cost
5. Await completion of external works by the electrical contractor	Time (days)	9	22	14	11	12	5	12	7
	Cost (KZT)	675,000	750,000	1,000,000	650,000	750,000	1,400,000	1,400,000	1,400,000
6. Await and receive an expert opinion on external works	Time (days)	3	4	3	5	2	4	4	4
	Cost (KZT)	100,000	100,000	100,000	100,000	50,000	50,000	100,000	100,000
7. Submit the expert opinion to the distribution utility and await inspection and issuance of relevant documents	Time (days)	3	4	4	6	3	6	7	9
	Cost (KZT)	no cost	no cost	no cost	no cost	no cost	no cost	no cost	no cost
8. Sign a supply contract with an electricity supplier (and await sealing of the meter and energizing of the connection)**	Time (days)	5	3	4	9	10	6	5	7
	Cost (KZT)	no cost	no cost	no cost	no cost	no cost	no cost	no cost	no cost
9. Apply to the distribution utility for the final connection and await sealing of the meter and energizing of the connection***	Time (days)	n.a.	n.a.	4	n.a.	n.a.	n.a.	n.a.	n.a.
	Cost (KZT)	n.a.	n.a.	20,000	n.a.	n.a.	n.a.	n.a.	n.a.

Source: Doing Business database.

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

** In Aktobe, East Kazakhstan (Oskemen) and Karagandy, this procedure involves signing a supply contract and awaiting for the meter to be sealed and the connection to be energized. In Kostanay, Pavlodar and South Kazakhstan (Shymkent), this procedure involves signing a supply contract and awaiting for the connection to be energized, as the meter is sealed as part of the previous procedure. In Almaty city, this procedure involves only signing a supply contract, as the meter is sealed and the connection energized as part of the previous procedure. In Astana, this procedure involves only signing a supply contract, as the meter is sealed and the connection energized as part of the very last procedure.

*** This procedure is required in Astana.

Note: The data details can be found for each location at: http//doingbusiness.org/kazakhstan. n.a. = not applicable.

Reliability of supply and transparency of tariffs index								
	Aktobe	**Almaty city**	**Astana**	**East Kazakhstan** *(Oskemen)*	**Karagandy**	**Kostanay**	**Pavlodar**	**South Kazakhstan** *(Shymkent)*
Reliability of supply and transparency of tariffs index (0–8)	**5**	**7**	**0**	**5**	**0**	**5**	**4**	**0**
Total duration and frequency of outages per customer a year (0–3)	3	2	0	3	0	3	2	0
Mechanisms for monitoring outages (0–1)	0	1	1	0	0	0	0	0
Mechanisms for restoring service (0–1)	0	1	1	0	0	0	0	0
Regulatory monitoring (0–1)	1	1	1	1	1	1	1	1
Financial deterrents aimed at limiting outages (0–1)	0	1	0	0	0	0	0	0
Communication of tariffs and tariff changes (0–1)	1	1	1	1	1	1	1	1

Source: Doing Business database.
Note: The data details for the Reliability of supply and transparency of tariffs index can be found for each location at http://doingbusiness.org/kazakhstan.

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