

Doing Business

2009

Doing Business Reform in Kazakhstan: Evaluation of the First Year and Proposals for Future Reforms

Stefka Slavova
Doing Business Reform Unit
The World Bank

Almaty
June 26, 2009



THE WORLD BANK



IFC

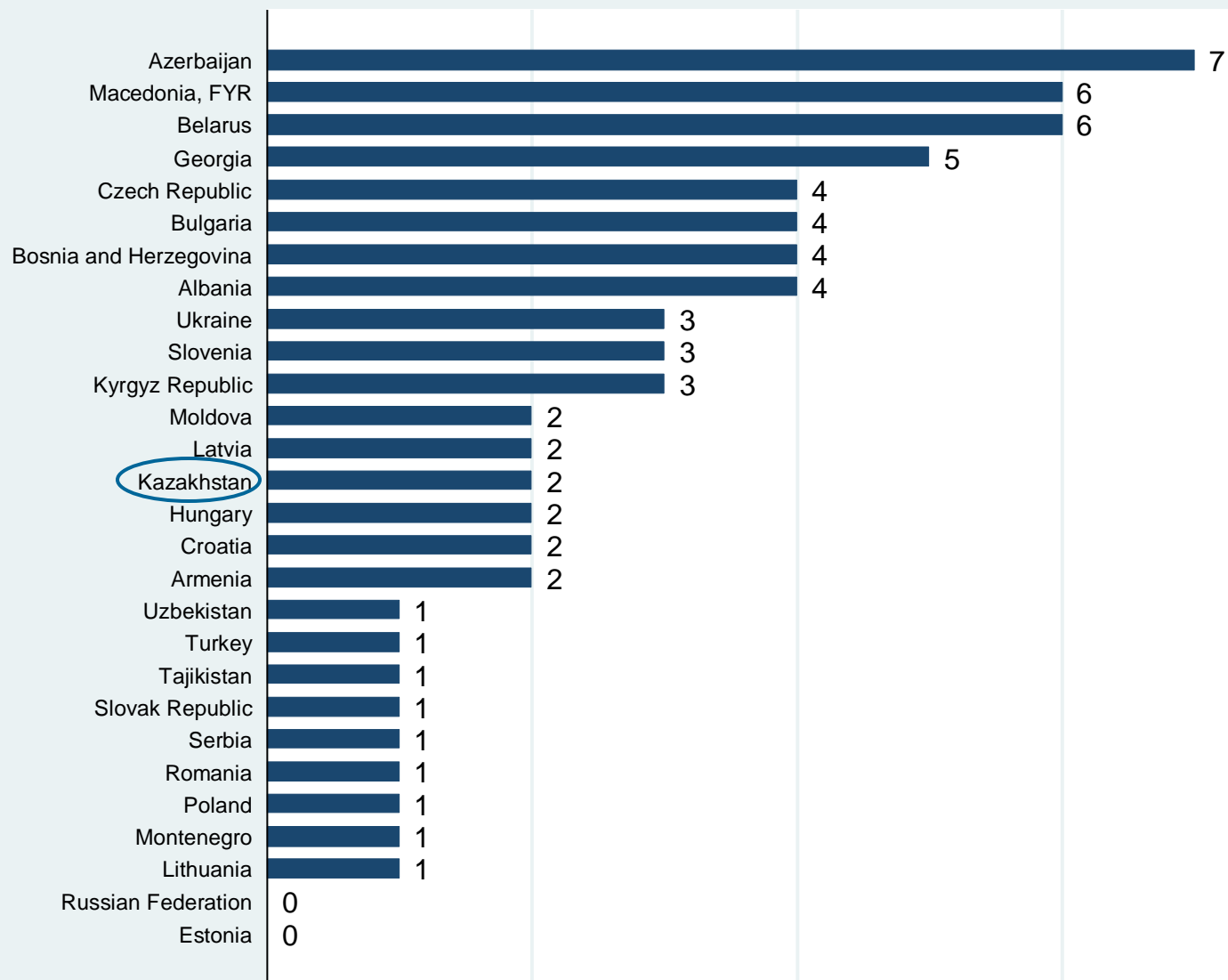
**International
Finance Corporation**
World Bank Group

- Background
 - Kazakhstan's DB reforms prior to 2008
 - DB reforms in the region
 - World Bank presence in Kazakhstan
 - Joint Economic Research Program
- Timeline of events
- DB reform activities
- Lessons learned

Kazakhstan's recent DB performance

Indicator	Kazakhstan DB2008	Kazakhstan DB2009	ECA avg DB2009	OECD avg DB2009
Starting a business	61	78	74	47
Dealing with constr. Permits	176	175	121	46
Employing Workers	23	29	97	78
Registering property	77 →	25	66	51
Getting credit	61 →	43	52	36
Protecting investors	49	53	68	63
Paying taxes	47	49	111	59
Trading across borders	181	180	101	33
Enforcing contracts	28	28	51	33
Closing a business	103	100	89	24
Ease of Doing Business	80 →	70	76	27

DB reforms in ECA economies (number of reforms recorded in DB 2009)



DB reforms in Kazakhstan and its neighbors

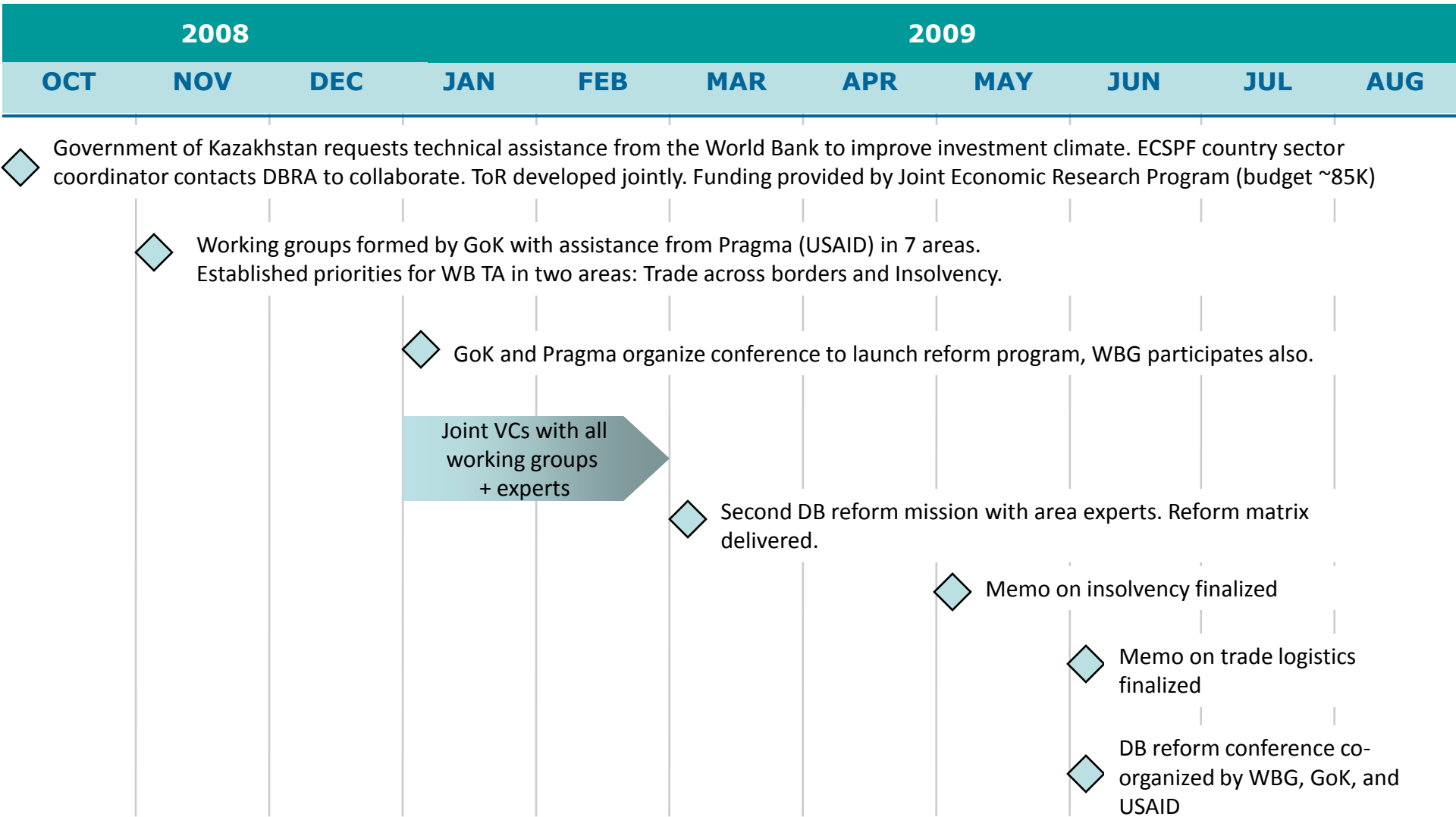


The Joint Economic Research Program

- The Kazakhstan-World Bank Joint Economic Research Program (JERP)
 - a cornerstone of the Country Partnership Strategy, approved by the WB Board of Directors on September 9, 2004;
 - program of joint economic research is financed through a cost-sharing arrangement;
 - the areas of focus and scope of the economic research program are determined by the Government in consultation with the World Bank on an annual basis.

Projected expenses of the JERP by area (2009)	USD
Public Administration Reform	1,680,000
Human Development	620,000
Macroeconomic and financial risks	275,000
Competitiveness of the economy (incl. DB reform)	585,000
Share of Expenses Covered by IBRD	29.3%
Share of Expenses Covered by the GoK	70.7%

Timeline DB reform program 2009-10



Working groups by DB indicator

- Starting a business
 - Registering property
 - Construction permits
 - Getting credit
 - Protecting investors
 - **Trading across borders**
 - **Closing a business**
- Headed by the Ministry of Justice
- Headed by the AFN
- Priority areas

Trading across borders

Led by Ministry of Economy and Budget Planning

Completed reforms:

- Eliminated export license;
- Reduced statutory time limits in issuing certificates of origin and technical standards;
- IT and risk management have reduced customs clearance times

Proposed reforms:

- Reduce document requirements
- Computerization
- Risk-based customs inspections

Closing a business

Led by the Ministry of Finance

- Reform of corporate insolvency system of high relevance due to the financial crisis
- Memo on insolvency assessed why the insolvency system is underused
- Completed reform as per amendment to the Bankruptcy Law of February 2009:
 - Added debtor examinership procedure
- Possible WB technical assistance project to take place

Led by the Ministry of Trade and Industry

- Several reforms completed: amendment to the Law on Electricity effective January 2009 eliminated payment for new technical connection in the amount of KZT 68,000 per kVA (or KZT 9,520,000 in total)
- Government Decree No. 425 of May 6, 2008 reduced statutory time limits for the issuance of:
 - The land allocation permit
 - Technical conditions by utilities
 - The architectural-planning assignment (APZ)
- Property registration time reduced and some fees reduced (topographic survey, telephone connection)

Starting a business and Registering property

Led by the Ministry of Justice

- One-stop shops for company registration (and other services) operate in Astana and Almaty, and other regional centers
- Amendments to the Law on State Registration of Legal Entities, Branches and Representative Offices of July 4, 2008 and Order of the Minister of Justice from October 13, 2008 - registration of small businesses possible within 3 days
- Documentary requirements simplified and LLC obligation to register with local tax office removed

Starting a business and Registering property

- Order of the Minister of Justice of December 3, 2008 reduced the term for immovable property registration from 15 to 10 working days
- Information search for encumbrances on the property (e.g., liens, mortgages) can be done electronically (Order of the Minister of Justice of December 30, 2008); functioning only in 2 public service centers in Astana;
- A fast-track property registration procedure made available by Decree 428 of March 30, 2009; within 1 day at a higher fee (28 and 40 MCI)

- Legal amendments proposed by the WB team to the Joint-Stock Company Law (review delivered in April 2009)
- Legal amendments proposed by the WB on amending certain provisions of the Civil Code and the Bankruptcy Law (review delivered in April 2009)
- No reform expected in DB2010 on both indicators
- Need to formulate a plan for bring these legislative changes to the agenda for DB2011

Lessons learned

- GoK is proactive and committed
 - Has been reforming steadily since 2005
 - started working groups at high ministerial level
- Effective partnership with USAID-funded Pragma BEI and RTL projects essential
- Field-based WB country sector coordinator was effective to leverage previous experience from the Kyrgyz Republic

What to Expect in DB 2010

- Kazakhstan is expected to register DB reforms in 4-5 areas in DB2010 – a marked improvement over previous years
- Some of the reforms (e.g. reducing statutory time limits) are quick fixes; deeper reform needed for the future, especially in trade, insolvency and construction permits
- Complete the ongoing reforms in company and property registration

- Implement the legal amendments needed to strengthen investor and creditor protection