

FINAL EVALUATION OF BUSINESS ENVIRONMENT IMPROVEMENT (BEI) PROJECT

FINAL REPORT

January 30, 2012

This study is made possible by the support of the American people through the United States Agency for International Development (USAID). The contents are the sole responsibility of Mendez England & Associates and do not necessarily reflect the views of USAID or the United States Government

ACKNOWLEDGEMENTS

The evaluation team wishes to acknowledge the fruitful cooperation and support that it experienced in the course of the evaluation mission. Particular thanks are due to the USAID Mission in Almaty – Ms. Amita Kulkarni, Mr. Michael Smith, Ms. Lora Kudaibergenova and Ms. Marina Lyashenko who facilitated the evaluation work and provided useful insights, timely project information and relevant contacts. Thanks are also due to all stakeholders, former project partners and beneficiaries of BEI for making time available to meet with the evaluation team in the course of the visit to Kazakhstan and the KR and their valuable inputs. Lastly, the team wishes to express its thanks to Ms. Mirela McDonald, Ms. Meredith Kummings and Ms. Audra Stark of ME&A for their continuous support throughout the project implementation.

CONTENTS

- ACRONYMS..... iv
- EXECUTIVE SUMMARY 1
 - Methods and Data Sources 1
 - Findings..... 2
 - Conclusions..... 3
 - Recommendations..... 4
 - Proposed Set of Indicators..... 5
- 1.0 INTRODUCTION..... 7
- 2.0 BACKGROUND..... 7
- 3.0 SCOPE AND METHODOLOGY 8
 - 3.1 Data Collection Methods 8
 - 3.2 Interview Guides 10
 - 3.3 Evaluation Cross-Walk 11
 - 3.4 Evaluation Tasks 11
 - 3.5 Evaluation Limitations 12
- 4.0 KEY FINDINGS..... 12
- 5.0 CONCLUSIONS..... 22
- 6.0 RECOMMENDATIONS..... 24
 - 6.1 Selection of Indicators..... 24
 - 6.2 Key Indicators 25
 - 6.3 Recommendations for Follow-On Projects and Future Programming..... 27

ANNEXES

- ANNEX 1: Evaluation Statement of Work
- ANNEX 2: List of Meetings and Focus Groups
- ANNEX 3: Sources of Indicators for BEI
- ANNEX 4: Analysis Plan (Evaluation Cross-Walk)
- ANNEX 5: Findings
- ANNEX 6: Systemic Approach to BE
- ANNEX 7: Key Indicator Sets
- ANNEX 8: Documents Reviewed

FIGURES

- Figure 1. DCED Definition of Business Environment as a Subset of Investment Climate
- Figure 2. Development Hypothesis of BEI
- Figure 3. Top Ten Business Environment Constraints in the Kyrgyz Republic and Kazakhstan
- Figure 4. Kazakhstan - Constraints for Doing Business
- Figure 5. Kyrgyz Republic – Constraints for Doing Business
- Figure 6. Conceptual Systems Framework for BE

TABLES

- Table 1. Questionnaire: Barriers to Enterprise Development - the KR
- Table 2. Questionnaire: Barriers to Enterprise Development – Kazakhstan
- Table 3. List of Meetings and Group Discussions
- Table 4. Evaluation Cross-Walk
- Table 5. Systemic and Unsystemic Approaches to BEI

ACRONYMS

BEE	Business Enabling Environment
BEEPS	EBRD-World Bank Business Environment and Enterprise Performance Survey
BEI	Business Environment Improvement
CAR	Central Asian Republics
CSO	Civil Society Organization
DCED	Donor Committee for Enterprise Development
EBRD	European Bank for Reconstruction and Development
EQ	Evaluation Questions
EurAsEC	Eurasian Economic Community
FY	Fiscal Year
GCI	Global Competitiveness Index
GDP	Gross Domestic Product
GTA	Getting to Answers
ICT	Information Communication Technology
IFC	International Finance Corporation
IMF	International Monetary Fund
IPR	Intellectual Property Rights
KR	Kyrgyz Republic
ME&A	Mendez, England & Associates
MFP	Multi-Factor Productivity
NGO	Non-Governmental Organization
OECD	Organization for Economic Cooperation and Development
OSS	One-Stop-Shop
PDB	Productivity Database
PDBi	Productivity Database Measures by Industry
PfC	Policies for Competitiveness
PMP	Performance Management Plan
PPD	Public Private Dialogue
PR	Project Result
R&D	Research and Development
RIA	Regulatory Impact Assessment
RK	Republic of Kazakhstan
SCM	Standard Cost Model
SMEs	Small and Medium Enterprises
SOW	Statement of Work
TVET	Technical and Vocational Education and Training
UN	United Nations
UNDP	United Nations Development Program
USAID	U.S. Agency for International Development
USG	U.S. Government
WB	The World Bank
WBDB	World Bank “Doing Business” Index
WBGES	World Bank Group Entrepreneurship Snapshots
WEF	World Economic Forum
WESA	Women Entrepreneurs Support Association
WGI	Worldwide Governance Indicators
WTO	World Trade Organization

EXECUTIVE SUMMARY

This is the final report on the evaluation of the Business Environment Improvement (BEI) project funded by USAID/Central Asian Republics (CAR). The project was implemented by the Pragma Corporation in Kazakhstan, the Kyrgyz Republic (KR), and Tajikistan. While BEI was extended for a year in the first two countries, it was ended on time in Tajikistan due to lack of funds. Therefore, this evaluation covers only Kazakhstan and the KR but not Tajikistan.

The evaluation was conducted during the period October – November, 2012, by a team of two international consultants consisting of a Private Sector Development Specialist and a Micro-Economist. The team was assembled by Mendez England & Associates (ME&A), located in Bethesda, Maryland.

The core issues to be determined by the evaluation were:

1. Were the World Bank Doing Business (WBDB) Index and Saving to Businesses Index, computed using the Regulatory Impact Assessment (RIA) methodology, the optimal set of indicators to measure the success and impact of improvements in the business working environment in Kazakhstan and the KR?
2. If not, what set of indicators would have produced a more realistic assessment of changes in the business working environment?
3. What changes to tasks, approach and measurement of result does the BEI project suggest for a follow-on project and future programming?

Based on the requirement of the USAID Mission in Almaty (henceforth referred to as the Mission), which was expressed in comments on the draft Methodology and Workplan (October 15, 2012), and in subsequent meetings with the evaluation team (October 16 and November 2, 2012), this assignment was not a *performance evaluation* of the BEI project but rather a *qualitative study* focused on the evaluation of the *development hypothesis* of BEI and the identification of sets of indicators for future business environment improvement interventions.

Another request of the Mission was to produce a detailed Getting to Answers (GTA) matrix with an additional ten evaluation questions, which were developed by the evaluation team in close consultation with USAID and served as the basis for the evaluation cross-walk (analysis plan).

This report presents the consolidated findings of the desk review in the UK (October 3-13, 2012), and the fieldwork conducted by the evaluation team in the KR (October 18-30, 2012) and Kazakhstan (October 31 – November 16, 2012). The report includes the evaluation team's conclusions regarding the development hypothesis of BEI and definitions of the business enabling environment (BEE) for use by USAID/CAR in both programming and monitoring and evaluation (M&E). Recommendations include a selection of proposed indicators for measuring improvements in the business environment for future development interventions.

METHODS AND DATA SOURCES

The evaluation team collected quantitative and qualitative data from a broad range of stakeholders and beneficiaries to ensure independence of the evaluation process, as well as accuracy and completeness of the subsequent conclusions, recommendations, and lessons learned. Techniques that balance each other were utilized: quantitative vs. qualitative data, individual vs. group responses, semi-structured interviews vs. analysis of existing surveys, and data sets. The following main sources of evidence were used:

- **Existing Surveys** (e.g. European Bank for Reconstruction and Development -World Bank Business Environment and Enterprise Performance Survey (BEEPS), 2008/2010; Investment Climate as Seen by SMEs, International Finance Corporation (IFC), 2010; Competitiveness and Private

Sector Development in Central Asia, Organization for Economic Cooperation and Development (OECD), 2011.

- **Data Sets** (e.g. BEEPS indicators; The WB Worldwide Governance Indicators (WGI); OECD World Economic Forum (WEF) Global Competitiveness Index (GCI) indicators).
- **Expert Panels and Focus Groups** (e.g. EFCA Expert Panel; Business Associations Focus Group; International Finance Corporation (IFC) Expert Group, etc.).
- **28 Interviews**, including open-ended and semi-structured interviews with key informants, conducted on-site and over Skype. The interviewees consisted mainly of those private and public organizations that were listed in BEI reports (partners, beneficiaries and stakeholders of the project) and were available within the timeframe of the fieldwork in Kazakhstan and the KR.

All interviews and focus groups were conducted in Russian, as both team members are bi-lingual in English and Russian, which saved considerable time and cost on translation and maximized the time and level of details obtained from the meetings.

FINDINGS

The key finding of the evaluation team is that the most pressing concerns of business in CAR refer not only to imperfect regulations per se (primary intervention focus area of the BEI project) but also to the degree of implementation of reforms, and the impact of broader business and investment environment constraints on small and medium enterprises (SMEs).

For the purposes of this assignment, the team has applied the commonly used Donor Committee for Enterprise Development (DCED) definition of the business environment “as a subset of investment climate,” including the elements found in Figure I in Section 4. This definition includes the parameters of business environment that are consistent with the aspects of the business and investment climate measured by BEEPS, 2008/2010 and Investment Climate as Seen by SMEs (IFC Survey, 2010) (see pg. 16 and 17).

The evaluation team identified the ten most significant constraints, as perceived by enterprises, which were common across CAR, including:

- **Corruption:** “Informal payments” as either a compliance or facilitating tool; encouraged use of “intermediaries,” etc.
- **Inadequately educated workforce:** Overly theoretical higher education; mismatch between the demand and supply in technical and vocational education and training (TVET).
- **Inefficient government bureaucracy:** Improved but still constraining registration procedures; burdensome and costly business licenses, permits and inspections; lack of “silent is consent” principles; inconsistency of “risk factor”-based solutions; lack of e-government tools for some administrative operations, etc.
- **Limited quality of regulation and limited public private dialogue:** Absence or limited use of RIA; lack of “good regulation” principles; absence of explicit, dynamic, and consistent “whole-of-government” policy to pursue high-quality regulations; lack of or limited consultation with civil society and business; limited use of inter-ministerial consultation; lack of internal co-ordination mechanisms within the government, etc.
- **Access to financing:** Lack of an effective regulatory framework; limited number of businesses, which qualify for credit-based financing; constraints in accessing loans for SMEs; limited access to capital markets; limited or absent venture capital; limited early-stage finance; lack of guarantee schemes.

- **Tax rates and/or administration:** Relatively high rates; burdensome tax administration procedures, particularly for micro- and small-business, the larger group of companies within the SME category.
- **Restrictive labor regulations:** Labor immigration restrictions and quotas, etc.
- **Inadequate supply of infrastructure:** Unreliable electricity supply (i.e. planned and unplanned blackouts); undiversified information communication technology (ICT) market; lack of certification laboratories etc.
- **Crime and theft**
- **Policy and government instability:** Primarily in the KR due to the recent developments and changes in the parliamentary system.

In addition to the above specific constraints, a number of general or systemic regulatory and legal environment imperfections were identified as inhibiting for enterprise development. These include:

- Unstable, unpredictable legal environment
- Inconsistent implementation of laws and regulations
- Lack of protection for property rights, judicial independence and the rule of law
- Gender-specific constraints

CONCLUSIONS

Taking into account the above findings, and based on the evaluation questions in the evaluation cross-walk, the evaluation team made the following conclusions:

- In the KR and Kazakhstan, the most pressing concerns refer not only to imperfect regulations per se but also to the degree of the reform of implementation and the impact of broader systemic business and investment environment constraints on SMEs. In both countries, the priority areas for further reform include:
 - Capacity building at all levels
 - Private sector: management skills, TVET
 - Public sector: particularly RIA
 - Business associations and civil society organisations (CSOs): capacity for effective advocacy and PPD
 - Emphasis on implementation of regulatory reforms, law enforcement and anti-corruption measures
 - Protection of property rights and judiciary reform
 - Voluntary enterprise closure (regulation and implementation)
 - Anti-monopoly policy (improvement and implementation)
 - Advocacy and business voices heard by the Government
 - Public sector reform and improving efficiency of provision of public services (particularly, civil service reform, decentralization, and advancing e-government)
 - Inventory and simplification of existing regulation, RIA for new regulation

Further detailed conclusions related to the reform priorities in both countries are provided in Section 5.

Other conclusions include:

- There is a need for a systemic approach to the improvement of the business environment and investment climate, as defined by DCED. However, BEI's approach to business environment improvement was limited to regulatory and legal aspects as the priority of the project was on improving each countries' WBDB ranking.

- Although regional and local aspects of the business environment were addressed to some extent, this was insufficient to make a profound impact at the sub-national level.
- Use of WBDB indicators stimulated the public sector to engage in reform and improve the international rankings of Kazakhstan and the KR. However, WBDB indicators have a number of limitations, which make them insufficient for measuring the success of business environment improvement at the national project level.

The evaluation team also analyzed the development hypothesis of BEI and concluded that:

- The impact level goal of an “improved environment for the growth of SMEs in Kazakhstan, the KR, and Tajikistan” was still valid.
- The original development hypothesis underlying the intervention design of BEI had a narrow focus on regulatory reform *de jure*, which is necessary but not sufficient to generate change in systems and behaviors constituting business environment-affecting enterprises. As a result, while the BEI fully performed all planned activities and achieved all expected outputs, the outcome level results, implemented regulatory changes “*de facto*” are missing.
- Regulatory changes introduced or facilitated by the BEI project have not necessarily been implemented and sustained at the national and sub-national levels, or have resulted in reduced regulatory burden *de facto*, as perceived by SMEs.
- Differences in men- and women-owned enterprises were not explicitly recognized or addressed in the project design. The evaluation team identified the following differences:
 - Property rights
 - Access to bank finance
 - Lack of child-care facilities
 - Lack of legal advice and counseling
 - Lack of business advice and training on entrepreneurship

RECOMMENDATIONS

The following general recommendations are made by the evaluation team:

- In order to enhance the quality of the design of interventions, it is suggested that stakeholder analysis and consultation with key beneficiaries be undertaken, starting from the design stage of the project. The evaluation team found that most interviewees would be interested in, and capable of, providing meaningful and informed contributions to the design of future interventions, based on the real needs of the private sector and CSOs.
- A nationwide reform can be supported by concurrent value-chain interventions with related BEI objectives. Sub-national level interventions can make them more effectively advanced: a regional or industry-specific approach focused on value-chain competitiveness and the regulatory environment can be piloted in one, two or three regions. If successful, it can be scaled-up and/or replicated in other regions. This allows for meaningful use of baselines and benchmarking, to measure improvements in the business environment.
- Investment in institutions and “institutional memory” bearers that can make an impact on policy design and the assessment of legislation is essential. It is critical to build the capacity of expert groups/business associations who can subsequently become accredited with government structures, provide expertise, and engage in policy design and impact assessment of legislation (this was the greatest sustainable achievement of BEI in both Kazakhstan and the KR).

- Facilitation of PPD and private sector advocacy will contribute to better quality regulation – not simply a reduction in the volume of regulation – and improve the effect this has on firm behaviour.
- Baseline (diagnostic) studies should be part of every project to ensure proper monitoring and evaluation. As a general guide, 5-10% of a project budget should be allocated for M&E¹. Baseline studies do not have to be excessive in cost. BEI had baseline data, however it was insufficient since it focused on outputs, rather than outcomes (results).
- Effective and pro-active donor-coordination, information sharing and division of labor at all stages of the project cycle will provide for a more focused approach, and avoid duplication of efforts, and generate savings (including in M&E).

PROPOSED SET OF INDICATORS

The proposed set of indicators was designed in close consultation with business and government agencies. For quality control, and to ensure the availability of third party sources for data verification, the set was cross-referenced with the key development indexes, regional and global indicators used by the WB, OECD, IFC, Transparency International, WEF, USAID, International Monetary Fund (IMF), United Nations (UN), and national statistical and survey data. The evaluation team proposed a three-fold approach for the use of indicators.

First, retain use of WBDB indicators, subject to the full appreciation of their limitations as described by the WB, and caution “gaming indicators” implications. Recognize that the WB methodology tracks both the progress and regress of government reform efforts and, from this perspective, represents a highly visible tool for measuring the extent of CAR governments’ commitments to reform. Recognize that WBDB’s annual surveys of over 180 countries motivate governments to improve over time and compete with other countries. Similarly, retain use of monetized economic impact estimates, subject to their limitations.

Second, reinforce the importance of adapting RIA to a specific institutional and regulatory environment of CAR so that it can evolve as a tool that can be used at the project level to influence the improvement of the quality of regulation across governments’ legislative and regulatory frameworks.

Third, introduce a set of additional indicators that can be used to measure the extent to which improvements in the business environment are systemic and systematic. The choice and design of the proposed set took into account the limitations of the WBDB set of indicators used by the BEI project and highlighted the current weaknesses with the application of RIA. Proposed indicators may be used for drawing additional indicators, sub-indicators and, in conjunction with the proposed datasets, will be instrumental in the construction of project baselines at project level. In particular, the following indicators are proposed to measure:

- **Entry Density:** The World Bank Group Entrepreneurship Snapshots (WBGES) indicator of entrepreneurship based on an objective measure of business creation, ease of starting and closing a business, and the impact of regulatory, political, and macroeconomic institutional changes on the private sector.
- **Quality of Regulation:** Indicator designed to measure progress with the introduction of “whole-of-government” policies in pursuit of high-quality regulation and the establishment of principles of “good regulation.”

¹ USAID, M&E Fundamentals, Frankel & Gage, 2007

- **Regulatory Management and Policy Coherence:** Indicator that would measure the scope of an inter-ministerial dialogue and coordination across all policy areas fostering policy coherence.
- **Regulatory Impact on Business Environment:** Indicator to measure the degree of a meaningful and consistent application of RIA in government decision-making on regulatory policy.
- **Regulatory Transparency:** Is an indicator of increase, or otherwise, of transparency in the regulatory process through PPD in addition to RIA.
- **Mismatch Between Labor Demand and Supply:** Indicator designed to measure the policy and capacity development aspects pertinent to TVET.
- **Reduction of Administrative Burdens and Regulatory Constraints:** Set of indicators measures some key aspects that encourage the creation of “non-active” enterprises and promote growth of the “shadow economy.”
- **Entrepreneurial Performance:** Indicators measure the extent to which firms invest in obtaining recognized certificates of production and accounting practices, provide a sign of high quality that may help reduce waste and increase productivity, and demonstrate the use of ICT in business transactions.
- **Labor and Capital Inputs and Multi-Factor Productivity at the Industry Level:** Indicators measure such key aspects as labor and capital input, and Multi-Factor Productivity (MFP) growth.
- **Legal Rights of Business:** Set of indicators to measure improvement as regards exercising legal rights of businesses at the following levels: legal framework; implementing institutions; and supporting institutions.
- **Access to Finance:** Indicator designed to measure improvement in such areas as access to debt financing; access to venture capital; and stock markets.
- **Competition:** Indicator to measure improvements, or otherwise, in the competition and anti-monopoly framework.
- **Innovation:** Set of indicators that includes three main types of indicators and eight innovation dimensions, capturing a total of 25 different indicators. These include “Enables,” “Firm Activities,” and “Outputs.”
- **Statistics:** Set of indicators concerns the creation of a comprehensive framework for the regular and harmonized measurement of entrepreneurial activity and the factors that enhance or impede it.
- **Gender Specific Indicators:** Include a set of indicators to measure improvements in those aspects of the business environment that affect women-owned businesses. These indicators examine such components as: Business Regulation and Business Entry; Business Supporting Institutions; Running a Business; Legal Support; Access to Justice and Judiciary Performance Monitoring; and Ownership Rights.

1.0 INTRODUCTION

This is a report on the final evaluation of the BEI project funded by USAD/CAR. It includes the results of the desk research and the fieldwork conducted by the evaluation team in the KR and Kazakhstan during the period October – November, 2012. The evaluation was conducted by a team of two international consultants, consisting of a Private Sector Development Specialist and a Micro-Economist. The team was assembled by ME&A, located in Bethesda, Maryland.

The objective of the evaluation, as stated in the Scope of Work (SOW), included in Annex 1, was a “performance evaluation of the BEI project as per USAID evaluation policy.” However, per the requirements of the Mission, expressed in comments on the draft Methodology and Workplan (October 15, 2012), and in subsequent meetings with the evaluation team (October 16 and November 2, 2012), the objective of the evaluation was changed from a *performance evaluation* to a *qualitative study* focused on the evaluation of the *development hypothesis* of BEI and the identification of sets of *indicators* for future business environment improvement interventions. Therefore, the evaluation team focused its efforts on:

1. Evaluation of the development hypothesis of BEI.
2. Analysis of the appropriateness of the WBDB Index indicators and Annual Monetized Business Environment Impact Assessment indicators used by BEI for measuring changes in the business environment.
3. Identifying an appropriate set of indicators for measuring changes in the business environment for future related projects.

Another request of the Mission was to produce a detailed GTA matrix with an additional ten evaluation questions, which were developed by the evaluation team in close consultation with USAID and which served as the basis for the evaluation cross-walk (analysis plan).

The recommendations of this evaluation will be used by USAID to inform how improvements in the business environment are measured in future economic growth projects, as well as to guide host governments on how to assess the progress of reform efforts in this area.

2.0 BACKGROUND

The BEI project began in October, 2006 and initially was scheduled for completion in September 2010, in all three countries of operation – Kazakhstan, the KR and Tajikistan. The objective of the BEI project was to improve the operating environment for businesses in Kazakhstan, the KR and Tajikistan. However, while BEI was extended in Kazakhstan and the KR for an additional 12 months, the project in Tajikistan ended on time due to lack of funds and, therefore, is not included in this evaluation.

The BEI's SOW did not include an explicit logic model or a logical framework outlining the development hypothesis of the project. The performance management plan (PMP) describes the highest level project result of BEI as an “improved environment for the growth of SMEs in Kazakhstan, the KR, and Tajikistan.” This was the impact-level goal, which was intended to be achieved through the two key project results (PR1 and PR2). Although these project results were not formulated explicitly, they were to be measured by: a) improved WBDB indicators; and b) annual estimated economic impact.

Specifically, the indicators chosen to measure improvements in the SME environment were:

1. Five out of ten components of the WBDB index (chosen each year, for each country) selected based on the prevailing economic/political situation in the country and where the opportunities existed to improve the indicators; and
2. In areas not covered by WBDB but important to the business environment (for example, state inspections, licensing and permitting), and for work at the sub-national level, progress would be measured by assessing the impact of regulatory simplification in monetary terms, using the compliance cost savings methodology.

As measured by the WBDB indicators, the BEI project was very successful and the only indicators not met were those in the KR for the fifth year due to a complicated post-revolutionary situation and delays in the transitional government. All other indicators have been surpassed.

Business associations and other informed observers, however, complain that notwithstanding the reforms, the situation for businesses has not materially changed. BEI's chosen indicators appear not to fully measure the state of the business enabling environment and improvements therein. Recognizing as a general principle for donor projects that "what gets measured, gets done," USAID would like to learn through this evaluation what would be an optimal set of indicators if it were to design for CAR countries a new project that aims to improve the business enabling environment.

3.0 SCOPE AND METHODOLOGY

Throughout the desk research and fieldwork stages, a number of qualitative data collection methods were applied. Due to the limited scope and resources of the mission, no survey that would yield quantitative data, was possible. The evaluation team, however, made extensive use of various existing surveys and data sets for quantitative data.

3.1 DATA COLLECTION METHODS

The team collected quantitative and qualitative data from a broad range of stakeholders and beneficiaries to ensure independence of the evaluation process, as well as accuracy and completeness of the subsequent conclusions, recommendations and lessons learned, as shown in Annex 2. Techniques that balance each other were utilized, including: quantitative vs. qualitative data, individual vs. group responses, semi-structured interviews vs. analysis of existing surveys, and data sets.

The following sources of evidence were used:

- Existing Surveys
- Data Sets
- Expert Panel
- Focus Groups
- Open-ended and semi-structured interviews with key informants (on-site and over Skype)

The interviewees mainly included those private and public organizations that were listed in BEI reports (partners, beneficiaries and stakeholders of the project) and were available within the fieldwork timeframe.

Existing surveys were used as sources of qualitative data and analysis. They included different sampling techniques (random, judgment, cluster, panel etc.) and data analysis methods, as shown in Annex 3. For example, the following surveys were used:

- BEEPS 2008/2010
- Investment Climate As Seen By SMEs, IFC, 2010
- Competitiveness and Private Sector Development in Central Asia, OECD, 2011
- WEF, The Global Gender Gap Report, 2011
- WB Investment Climate Assessments
- WB Entrepreneurship Survey (WBGES), 2008
- WEF, The Global Competitiveness Report, 2011-2012; 2012-2013

For a list of documents reviewed, please see Annex 8.

Various data sets were analyzed in order to assess the development hypothesis behind the BEI's PMP and to identify a set of indicators to measure improvements in the business environment in the future. The evaluation team worked to identify and justify the use of a broader range of development indicators while attempting to define the issues and areas in most urgent need of reform, as perceived by enterprises, that impact on businesses in the areas beyond the original SOW of BEI.

Identification and selection of proposed indicators is broadly based on the principles of the USAID Performance Management and Evaluation TIPS "Selecting Performance Indicators," 2009. Appropriateness of the indicators, derived from various sources by development practitioners, was reviewed and assessed. These included, *inter alia*:

- BEEPS indicators
- The WB Worldwide Governance Indicators (WGI)
- OECD WEF Global Competitiveness Index (GCI) indicators
- OECD indicators of product market regulation with an extension to employment protection legislation
- USAID Guide to Gender Integration and Analysis
- WB, Doing Business 2013 in Central Asia: Smarter Regulations for SMEs
- WBGES
- The Heritage Foundation, Index of Economic Freedom, 2012
- USAID BizCLIR, GenderCLIR, MicroCLIR
- Innovation Union Scoreboard

An Expert Panel was hosted by the Eurasia Foundation of Central Asia in the form of a round-table discussion on the subject of the influence of the regulatory and legislative base on small rural business and specific challenges to income generation and business development in the regions of the KR. Particular attention was given to the identification of possible indicators for measuring improvements in the business environment as regards women entrepreneurship. The findings of the discussion were complemented by, and verified with, the outcomes of the interview with the Women Entrepreneurship Support Association and the content of existing gender surveys.

Two **Focus Groups** were organized by the evaluation team. In the KR, it was hosted by the Secretariat of the Council for Business Development and Investment; in Kazakhstan, it was held at the USAID Mission in Almaty. The objective was to gauge the opinions and judgments of non-government organizations (NGOs), business associations, think-tanks, and business support organizations related to the key business environment constraints experienced by SMEs. The exchange of opinions in these discussions resulted in a better understanding of differing interpretations of issues raised during the individual interviews. The focus groups promoted free expression of views on those aspects of business environment improvement that were perceived as most important and relevant for SMEs, and were highly informative.

Semi-structured and open-ended interviews, a technique for questioning that allows the interviewer to probe and follow-up on topics of interest in-depth (rather than just “yes/no” questions), included different groups of stakeholders: government officials; development agencies; donor project managers; business associations; and SMEs. The full list of interviewees is provided in Table 3 (Annex 2).

3.2 INTERVIEW GUIDES

In order to complement the Focus Group, a questionnaire was distributed and filled out on-site by all participants of the Focus Group. In each of the Focus Groups, six participants were invited to rate the barriers on the scale from 1 (low importance) to 4 (high importance) at various stages of the business life cycle. Thus, the potential maximum score for any of the barriers could be 4x6 =24. The results are shown in Table 1 and Table 2 below. Constraints with highest scores are highlighted in red.

Table 1. Questionnaire: Barriers to Enterprise Development - the KR

Codes: 4 – high importance; 3 – relatively high importance, 2 - medium importance, 1- low importance.

Barrier \ Stage of development	Start-up	Access to markets	Bringing products to markets	Daily operations	Expansion/growth	Liquidation
Interaction with registering authorities	12	11	12	11	9	20
Access to resources (labor, finance, information)	16	18	16	14	16	5
Access to infrastructure (utilities, land, rent or purchasing of premises, and storage facilities)	15	18	15	14	16	5
Access to markets (licensing)	19	18	18	15	17	6
Bringing products to markets (certification)	15	17	18	15	14	6
Preparation and submission of required reporting	10	13	12	11	12	18
Tax inspections	8	13	14	13	12	11
Technical inspections	11	15	14	13	12	11
Inspections by law-enforcement bodies	6	8	9	11	10	9
Sale or liquidation of enterprise	6	8	8	11 (during sales)	11 (during sales)	17

Table 2. Questionnaire: Barriers to Enterprise Development – Kazakhstan

Stage of development / Barrier	Start-up	Access to markets	Bringing products to markets	Daily operations	Expansion/growth	Liquidation
Interaction with registering authorities	8	15	14	10	15	16
Access to resources (labor, finance, information)	15	18	17	15	18	7
Access to infrastructure (utilities, land, rent or purchasing of premises, and storage facilities)	17	15	15	15	19	4
Access to markets (licensing)	11	10	11	10	13	8
Bringing products to markets (certification)	13	12	12	11	12	5
Preparation and submission of required reporting	9	10	10	11	11	9
Tax inspections	13	13	13	13	14	16
Technical inspections	12	12	12	11	11	14
Inspections by law-enforcement bodies	13	11	12	12	12	14
Sale or liquidation of enterprise	18	16	16	9 (during sales)	9 (during sales)	21

3.3 EVALUATION CROSS-WALK

In addition, the evaluation cross-walk table was prepared based on the set of ten evaluation questions (and sub-questions) developed at the planning stage and presented in the GTA matrix prior to the fieldwork. The evaluation cross-walk, presented in Annex 4, was used as an analysis planning tool, linking evaluation questions with the relevant sources of qualitative and quantitative data analyzed by the evaluation team.

3.4 EVALUATION TASKS

In the course of the evaluation, the team performed the following key tasks and provided the required deliverables in accordance with the SOW and agreement with the Mission.

- **Task 1:** Drafted description of overall methodology and workplan, and a desk review. The evaluation team submitted the draft methodology and workplan and undertook the desk review.
- **Task 2:** The team finalized the overall methodology and schedule, conducted in-country field visits, and delivered data collection reports for the KR and Kazakhstan.
- **Task 3:** The team presented key findings in a substantial presentation during the debriefing session.
- **Task 4:** Submission of the Final Evaluation Report.

3.5 EVALUATION LIMITATIONS

During this short-term evaluation, the key limitations were the resource constraints for determining the depth, scope and methods of the data collection. These included:

- Availability of relevant interviewees at relatively short notice.
- Availability of relevant surveys and reports.
- Collection of data from, and comparisons between, the regions and cities, and availability of sex-disaggregated data.

The evaluation team used mainly qualitative methods for primary data collection. It conducted 28 semi-structured interviews, focus groups and expert panel discussions in Kazakhstan and the KR. There was no scope for conducting a survey of stakeholders that could be based on a statistically-relevant sample. Therefore, the primary data reflects perceptions and priorities of the stakeholders interviewed but are not necessarily representative of all enterprise types, sizes and industries. Secondary data has been utilized extensively to complement the primary sources.

4.0 KEY FINDINGS

This section includes the key findings of the document review and fieldwork, with a focus on the most significant constraints in the operational environment of SMEs as perceived by interviewed businesses, former project partners, and beneficiaries in the KR and Kazakhstan.

The findings, conclusions and recommendations are structured around the three main questions in the SOW, which are complemented by ten evaluation questions developed during the evaluation planning stage upon the request from USAID and included in the evaluation cross-walk/analysis plan. The evaluation questions reflect USAID's request to emphasize the evaluation of the BEI's development hypothesis and optimal sets of indicators, and not of BEI's performance.

SOW QUESTION 1: Were the WBDB Index and Saving to Businesses computed using the RIA methodology the optimal set of indicators to measure the success and impact of improvements in the business working environment in Kazakhstan and the KR?

Accomplishments of BEI

Measured by the WBDB indicators, BEI was very successful and the only targets that were not met were those targets in the KR for the fifth year due to a complicated post-revolutionary situation and delays in the transitional government reforms. All other indicators have been surpassed.

BEI had significant achievements based on the WBDB set of indices: the three countries in which it has worked have been included in the WBDB top ten reformers list five times: the KR in 2009 and 2010; Tajikistan in 2010 and 2011; and Kazakhstan, as the top world reformer, in 2011. It is widely acknowledged that WBDB reports have greatly elevated the importance of the business environment and acted as a catalyst for reform. The ten Doing Business areas provide a quick and concise measure of the health of a nation's business environment. These "top-line" indicators (e.g., days to start a business) help identify broad priorities for reform.

In addition, BEI produced estimates of monetary savings for SMEs that could be derived from:

- Reduction of time needed to complete procedures
- Reduction of costs associated with the completion of procedures and requirements
- Elimination of duplicate steps, documents and requirements
- Reduction of steps and procedures of compliance

The stakeholders interviewed by the evaluation team expressed their appreciation for the work done by the BEI project based on WBDB indicators because international rankings and benchmarking reports of this kind create positive peer pressure that encourages reform activities and is useful for governments to demonstrate their commitment to reform.

Limitations of the Indicators Used to Measure BEI Success

Despite the success of BEI within its intervention logic and expected project outputs, as measured by the WBDB and estimated monetized savings indicators, the interviewed business associations, enterprises, and think-tanks stressed that, in real terms, the business and investment climate for enterprises has not shown noticeable improvements and there remain considerable constraints for domestic and foreign entrepreneurs/investors in starting and running a business. It is perceived, therefore, that the BEI's indicators did not fully measure the state of the business enabling environment and improvements resulting from the project activities.

I) WBDB Indicators

The WBDB measures improvements to regulatory costs and burdens, which is only one dimension of any overall reform of the investment and business climate. Since the WBDB set of indicators does not measure the way the legal stipulations work in practice, exogenous factors such as corruption, lack of infrastructure, or “passive waste” (when public officials lack the skills or incentives to reduce the costs of red tape) are not generally taken into account. Other factors not measured include legal loopholes, political risk, and the volatility of the legislative base. These factors can be just as important for potential domestic and foreign entrepreneurs/investors as improvements in regulatory costs and burdens.

The Doing Business Index (DBI) largely measures the *de jure*² state of regulation and legislation across countries, and does not focus on the *de facto* enforcement of reforms or perceptions by businesses themselves regarding the ease of doing business in a country. Such a measurement system is useful in identifying legislative and regulatory imperfections, which can be easily addressed by policy-makers. However, very often the theoretical legal base³ does not reflect the actual experience of firms, which is much more difficult to measure. Even when there is significant reform at the national level, implementation at the sub-national (regional and local) level can be incomplete and inconsistent.

As summarized by the World Bank Independent Evaluation Group and reflected in BEI's reports and many other sources, the WBDB indicator set has a number of limitations:

- I. The collected data refer to businesses in the economy's largest business city and may not be representative of regulations in other parts of the economy. To address this limitation, the WB introduced Sub-national Doing Business indicators. The sub-national studies point to significant

² Mary Hallward-Driemeier & Gita Khun-Jush & Lant Pritchett, 2010.

³ “Improving the Business Environment in Kyrgyzstan, Prepared for the Investment Council of the Kyrgyz Republic”, SIPA, Columbia University, p 6. “ In addition, there are some general limitations to the indicators. All of the measurements are based on the ease of doing business in a legalistic sense, which provides a very theoretical picture of the way business operates”

differences in the speed of reform and the ease of doing business across cities in the same economy. For example, the sub-national studies of doing business in Russia resulted in Moscow ranking as the lowest out of 30 major cities, and Ulyanovsk as the top ranking city in the country.⁴

2. The data in the WBDB often focus on a specific business form — a limited liability company (or its legal equivalent) of a specified size — and may not be representative of the regulations on other businesses, for example, sole proprietorships.
3. Transactions described in a standardized case scenario refer to a specific set of issues and may not represent the full set of issues a business encounters.
4. 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.
5. 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 experiences of entrepreneurs as reported in the World Bank Enterprise Surveys or other perception surveys.
6. Most of the indicators presume that less regulation is better; therefore, it is difficult to tell whether the top-ranked countries have good and efficient regulations or simply inadequate regulations.⁵
7. The Ease of Doing Business index is limited in scope. It does not measure all aspects of the business environment that matter to firms or investors - or all factors that affect competitiveness. It does not, for example, measure an economy's proximity to large markets, quality of infrastructure services (other than services related to trading across borders), security of property, transparency of government procurement, macroeconomic stability, labor skills, or the underlying strength of institutions. Nor does it focus on regulations specific to foreign investment. *Doing Business* does not assess the strength of the financial system or market regulations, both important factors in understanding some of the underlying causes of the global financial crisis. It does not cover all regulations, or all regulatory goals in an economy. For example, the indicators on starting a business or protecting investors do not cover all aspects of commercial legislation.

2) Estimated Monetized Economic Impact

The supplemental reform estimated impact was the approach used by the BEI project to estimate the monetized economic impact of reforms. This approach had several limitations as it is based on the calculation of estimated official costs and did not necessarily capture the impact of informal payments that affect businesses when they have to comply with, even if simplified, regulatory requirements. It did not measure *real* savings derived from *implemented* regulatory changes (which could be assessed 6 - 12 months after the enacted change), but only estimated savings prior to the implemented change.

As BEI's experience showed, monetized economic impact in terms of savings to businesses is a plausible indicator of improvements in the regulatory environment, if it measures real savings derived from implemented regulatory changes (e.g. assessed 6 - 12 months after the enacted change), rather than only estimated savings prior to the implemented change, as was the case with BEI.

It is also important to bear in mind that this measuring tool is based on the assumption that eliminated procedures would not re-emerge in the legislation at a later stage, or the reduced costs in one area of

⁴ <http://www.doingbusiness.org/reports/subnational-reports/russia>

⁵ "Doing Business: An Independent Evaluation", The World Bank Independent Evaluation Group 2008, p.52

compliance would not be factored with an increase in other areas. Regulatory changes may indeed create an estimated impact on the business environment but new regulatory measures may not be necessarily implemented and sustained at the national and sub-national levels nor result in a reduced regulatory burden *de facto*, as perceived by SMEs.

Extent to which the WBDB and Environment Impact indicators are sufficient in measuring the most pressing concerns of SMEs (as identified by key informant interviews, focus group discussions, and the expert panel)⁶

With regard to many areas of business constraints, e.g. business start-up, WBDB and business environment impact assessment indicators measure the official cost, number of procedures, and time required to complete a procedure, as estimated by experts. The WBDB indicator does not capture the number of steps needed to complete any specific procedure, the time needed to gather the required documentation, the cost of informal payments (“facilitation”), and the time involved in awaiting the issuance of a registration certificate, as perceived by enterprises. Research suggests that the time and cost in real terms may be greater than that captured by WBDB. It does not measure other factors that may impact business start-ups, e.g. corruption, lack of transparent and accessible information, as well as the disincentive of high tax rates, complex tax administration and costly company closure procedures on the rate for starting a business.

The types of indicators required to fill these and other gaps are discussed in Recommendations.

Extent to which WBDB indicators measure and reflect the different issues faced by women-owned and men-owned enterprises, with regard to business registration, access to credit, business licensing, etc.⁷

The WBDB indicators do not reflect these issues. Gender-specific constraints and inequalities do exist, mostly in rural areas, both in Kazakhstan and the KR. Some key constraints include:

- Property rights
- Access to bank finance
- Lack of child-care facilities
- Lack of legal advice and counseling
- Lack of business advice and training on entrepreneurship

The proposed set of indicators to address this gap is provided in Recommendations.

Extent to which the WBDB indicator set reflects the challenges faced by SMEs due to inconsistent implementation of laws and regulations⁸

The WBDB Indicators do not specifically reflect these challenges. Concerns and challenges exist both at the level of the introduction of legislation, as well as at the level of implementation of laws and regulations in Kazakhstan and the KR. In particular, the most significant areas of concern are the property rights of businesses and the implementation of competition (anti-monopoly) legislation in both countries.

⁶ Evaluation Question 6 in the evaluation cross-walk (Annex 4)

⁷ Evaluation Question 7 in the evaluation cross-walk (Annex 4)

⁸ Evaluation Question 8 in the evaluation cross-walk (Annex 4)

The proposed set of indicators to address this gap is provided in Recommendations.

Extent to which the current WBDB indicators measure challenges faced by various types of SMEs operating in different industries and regions⁹

The WBDB Indicators in CAR currently do not measure these challenges by type of SME region. There are additional areas of common concern of SMEs across the various types and regions not measured by WBDB:

- Availability of qualified labor force and provision of TVET (the mismatch between demand and supply), and access to finance.
- Low level of SME competitiveness, SME productivity and performance, and innovation.
- Lack of reliable SME statistics important for policy development and accountability.

These gaps are addressed in the proposed sets of indicators, outlined in Recommendations.

The dimensions of the “operational business environment” that beneficiaries/stakeholders identified as the most pressing concerns for SMEs (as defined by key informant interviews, focus group discussions, and the expert panel)¹⁰

The evaluation team interviewed a wide range of stakeholders in the KR and Kazakhstan in order to determine which constraints in their operational environment are perceived as the most significant, and how those areas correlate with the business environment constraints addressed by BEI.

In this analysis, the team utilized the broad definition of business environment as a subset of investment climate used by DCED (see Figure I, next page).

The evaluation team included in the analysis those parameters of the SME environment that were covered by BEEPS and the IFS Survey in CAR, as well as the key WBDB indicators, namely:

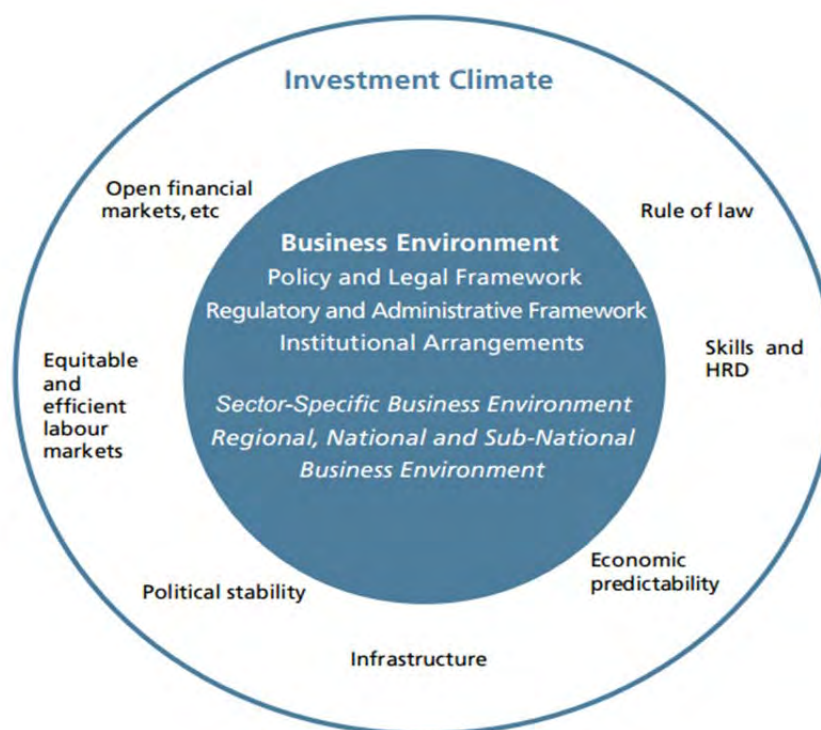
1. Business start-ups
2. Registration
3. Obtaining permits
4. Obtaining licenses
5. Access to resources
 - a. Access to finance
 - b. Access to information
 - c. Access to business development services and skills training
 - d. Access to electricity
 - e. Availability of qualified labor force
6. Phyto-sanitary and technical regulations
7. Tax administration
8. Inspections by law enforcement bodies
9. Crime, theft and disorder
10. Investor protection
11. Systemic regulatory issues and constraints
12. Imperfections of existing laws and regulations

⁹ Evaluation Question 10 in the evaluation cross-walk (Annex 4)

¹⁰ Evaluation Question 1 in the evaluation cross-walk (Annex 4)

13. Unstable and unpredictable legal environment
14. Corruption and illegal practices
15. Protection of property rights, judicial independence and the rule of law
16. Public-private dialogue
17. Gender-specific constraints

Figure I. DCED Definition of Business Environment as a Subset of Investment Climate



Source: DCED 2008

The key finding of the evaluation was that the most pressing concerns of business in CAR refers not only to imperfect regulations *per se* (primary intervention focus area of the BEI project measured by its indicators), but also to the degree of the implementation of reform, and the impact of broader business and investment environment constraints on SMEs.

In both countries, the following issues were identified as priority constraints:

- Lack of transparency regarding license and permit systems, arbitrary application of laws
- Lack of public awareness of new and rapidly multiplying laws and regulations
- Corruption and unclear procedures that limit the entry of new businesses or prohibit businesses from growing beyond a certain point
- Lack of property rights protection and judiciary reform
- Lack of access to a qualified workforce
- Lack of access to finance
- Low level of SME competitiveness, productivity and innovation
- Lack of transparency and limitations of SME statistics, which limits transparency and monitoring of reform implementation

In addition, country-specific business environment barriers were identified in the KR and Kazakhstan.

In the KR, these include:

- Macroeconomic instability and unpredictability
- Inconsistency and gaps in legislation
- Unreliable electrical supply
- High tax rates and complex tax administration
- Trading across borders (compliance with technical and phyto-sanitary standards)
- Inadequacies and lack of expertise in application of RIA in law-making
- Insufficient involvement of private sector in policy consultation and monitoring of reform implementation

In Kazakhstan these include:

- Anti-monopoly legislation (lack of implementation and associated costs)
- Difficulties of micro-businesses in accessing basic legal information, legal protection, and finance
- Lack of RIA application, overly complicated and growing legislative regime
- Particular difficulties in closing business (costs, procedures, corruption)
- Lack of public procurement opportunities for SMEs
- Arbitrary application of risk factor regulation

The areas for further reform that would make a direct profound material change for SMEs as regards Business Environment (as identified by key informant interviews, focus group discussions, and the expert panel)¹¹

In both the KR and Kazakhstan the key priority areas highlighted by the interviewed stakeholders included:

- Capacity building at all levels
 - Private sector (management skills, TVET)
 - Public sector (particularly establishment of system for regulatory transparency and application of RIA)
 - Business associations and CSOs (capacity for effective advocacy and PPD)
- Emphasis on the implementation of reforms, law enforcement and anti-corruption measures, especially
 - Protection of property rights and judiciary reform
 - Voluntary enterprise closure (regulation and implementation)
 - Anti-monopoly policy (improvement and implementation)
 - Advocacy and business voice heard by the Government
- Public sector reform and improving efficiency of provision of public services
 - Civil service reform
 - Decentralization
 - Advancing e-government
- Inventory and simplification of existing regulation, RIA for new regulation

¹¹ Evaluation Question 2 in the evaluation cross-walk (Annex 4)

In KR, the following key areas were identified as priorities:

- Removal of industry-specific barriers at the value chain level
 - Regulatory reform (including self-regulation) – e.g. tourism
 - Market access/trade - e.g. agriculture (dairy, meat, fruit and veg), textiles
 - Fair competition, e.g. in textiles, agriculture
 - Harmonization of legislation across Customs Union
 - Implementation of reforms at regional/local level
 - Improvement of regulatory management and policy coherence at sub-national level
 - Building effective e-government, which should create conditions for transparency and combating corruption
- Competitiveness measures
 - Skills and productivity – linking TVET system with industry requirements , e.g. textiles
 - Product quality/certification
 - Technology and innovation policy and support infrastructure, especially for manufacturing enterprises
 - Value chain and cluster development in the regions
 - Access to quality infrastructure
 - Prioritization of agriculture, textile industry and tourism
- Gender specific constraints: access to credit due to the lack of collateral; assets owned by men; lack of child-care facilities; lack of legal advice and business support services, especially in the regions

In Kazakhstan, the following priority areas were highlighted:

- Simplification of business closure procedures
- Overall improvement of quality of regulation and management (review of existing regulation and wide introduction of RIA)
- Support to industrial diversification
 - Improvement of regulations governing manufacturing enterprises vs. trade-related businesses
 - Emphasis on simplification of regulations and support programmes for start-ups and micro-businesses
- Greater involvement of private sector and civil society in policy consultations
- Effective anti-monopoly legislation
- Greater emphasis on development of agriculture (meat production, dairy and wheat) and rural entrepreneurship; support to related innovation and technology development
- Development of infrastructure and reduction of transportation costs
- Increased level of technology adoption and innovation

For a detailed description of findings related to the above areas of business constraints as perceived by enterprises, please refer to Annex 5.

Dimensions of “business working environment” that were included in the design of the BEI intervention (within and outside of the WBDB indicator sets)¹²

¹² Evaluation Question 3 in the evaluation cross-walk (Annex 4)

BEI's approach to business environment improvement was limited to the regulatory and legal aspects, and the priority of the project concerned improving the countries' WBDB rankings. As noted by a number of researchers,¹³ this incentivizes the public sector in many countries to be involved in regulatory reform, i.e. reform "de jure." However, the data from the WB Enterprise Surveys show that "broadly, de jure measures such as Doing Business indicators are not correlated with ex post firm-level responses."¹⁴ Indeed, all businesses interviewed by the evaluation team emphasised that reforms are only meaningful if they are implemented "de facto." Measuring the degree of the implementation of reforms (i.e. the outcome-level project results) was not part of the project design and the additional business environment impact assessment indicators used by BEI were focused on the estimated impact, not the implemented impact¹⁵. BEI's development hypothesis is discussed in detail later in this section.

Although aimed at improvement of the operational environment for SMEs, BEI's design was based on a narrow approach focused primarily on regulatory reform, and did not focus on a broader, systemic approach to the "Business Environment as a subset of investment climate," utilized now by many donors and described in detail in Annex 6.

Regional and local aspects of the business environment were not addressed in the project design.

Differences between men- and women-owned enterprises were not explicitly recognized or addressed in the design.

Groups of beneficiaries/stakeholders who reported experiencing an improvement in the business environment from the project activities¹⁶

The public sector stakeholders reported some improvement in the business environment, particularly with regard to the introduction of RIA for new legislation and regulations in the KR, as well as the continued involvement of former BEI experts in the assessment of new legislation and provision of advice to government officials (both in Kazakhstan and the KR).

The interviewed BEI partners including business associations, NGOs, and expert organizations reported involvement in BEI project activities as beneficial for their capacity building and continuous expert collaboration with the public sector at the highest level.

The interviewed enterprises, however, reported a lack of visible or lasting benefits of BEI for the following reasons:

- Wherever a regulation is simplified or eliminated, new regulations and laws in related areas tend to "mushroom," and thus the reforms backtrack. Legislation is generally convoluted and contradictory. The need for larger-scale institutional and legal reform was expressed.
- Industry-specific regulatory constraints have not been affected by BEI activities. Those are better addressed at regional and local levels through value-chain interventions at the sub-national level.

¹³ E.g. "Improving the Business Environment in Kyrgyzstan, Prepared for the Investment Council of the Kyrgyz Republic", SIPA, Columbia University, p.4; Doing Business in a More Transparent World – IBRD/WB 2012, p. 24; "Doing Business: An Independent Evaluation", The World Bank Independent Evaluation Group 2008, etc.

¹⁴ Mary Hallward-Driemeier & Gita Khun-Jush & Lant Pritchett, 2010.

¹⁵ This was also noted in the interim evaluation of BEI done by Mitchel Group

¹⁶ Evaluation Question 4 in the evaluation cross-walk (Annex 4)

- The issue of industry-specific self-regulating organizations has not been addressed.
- Some areas of simplification were reported as extreme and negatively impacting the interests of consumers (e.g. premature reduction of phyto-sanitary inspections and required documentation in the KR). Some changes were introduced in isolation from broader reforms of the legal regime and did not take into account the on-going institutional changes or public sector reorganization (e.g. in the KR).

Validity of the original development hypothesis underlying the BEI intervention design¹⁷

An explicit logic model (or “logical framework”) for the project would be instrumental to the evaluation of the project design. A well-constructed logical framework can improve the project’s identification, preparation, and evaluation process by clarifying its design and making it transparent to beneficiaries, stakeholders and evaluators. A good way to check the logic model is to describe the program logic as hypotheses (a series of “if, then” statements). The hypothesis or proposition is normally stated as follows: “If assumptions about contextual factors remain correct and the program uses these resources with these activities, then it will produce these short-term outputs for identified beneficiaries who will use them, leading to longer term outcomes.”

The logic model provides the hypothesis of how the program is supposed to work to achieve intended results. BEI’s SOW did not include an explicit logic model or a logical framework outlining the development hypothesis of the project. Therefore, the evaluation team attempted to infer the development hypothesis based on the PMP and SOW.

The highest level project result of BEI is “improved environment for the growth of SMEs in Kazakhstan, the KR, and Tajikistan.” This was the impact-level goal, which was intended to be achieved through Project Results 1 and 2. Those were not formulated explicitly, but were to be measured by: a) improved WBDB indicators; and b) annual economic impact. These indicators were designed to measure the legal and regulatory improvements and changes introduced by the BEI project *de jure*. Thus, the project development hypothesis was based on the assumption that if the BEI project achieved significant improvements in WBDB ranking and annual economic impact (i.e. regulatory and legal changes *de jure*, which is an output-level objective), this would result in an improved environment for SME growth (impact-level goal).

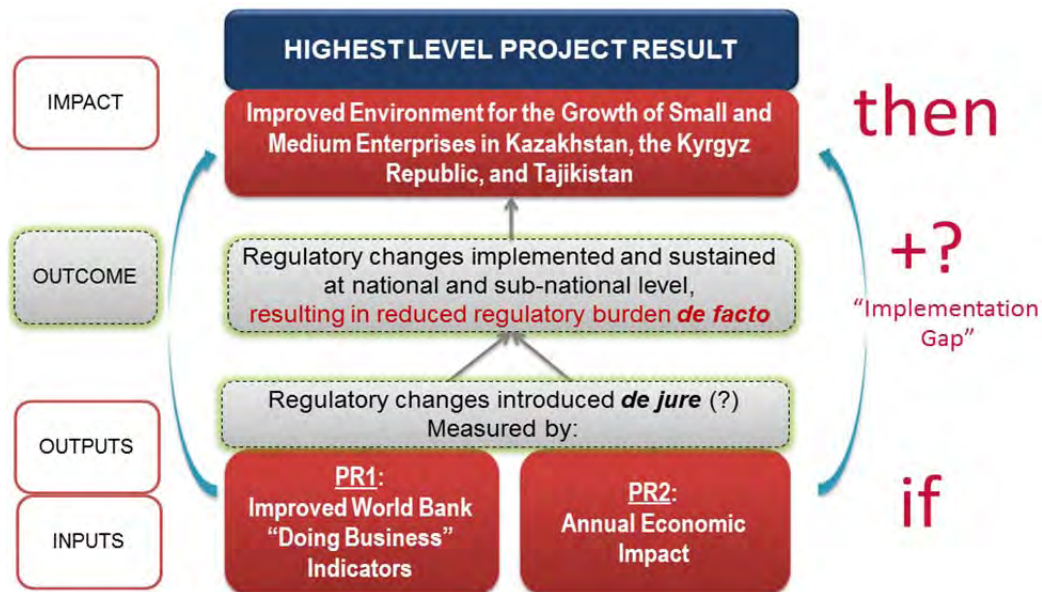
However, although improvements in WBDB indicators and amendments in the legal and regulatory framework are necessary, they are not sufficient for meaningful improvement and change in the regulatory environment and broader, overall business environment, in practice. Moreover, as mentioned previously, a large number of interviewed stakeholders stated that the administrative barriers and regulatory burden were not the most significant constraining factors in the environment in which businesses operate.

If the conceptual and implementation frameworks of BEI were comprehensive, its development hypothesis and the logic model would have included the intermediary (outcome) level results, which are very important for the success of any kind of regulatory reform: its effective implementation *de facto*, at the national and sub-national levels. These would be the results and sustainable changes that could be reflected in private sector surveys showing the real reduction of key business environment constraints, as seen by enterprises. However, there is an obvious “implementation gap” at the outcome level in the intervention logic.

¹⁷ Evaluation Question 5 in the evaluation cross-walk (Annex 4)

The inferred development hypothesis and logic model is presented in Figure 2 below (the elements missing in the BEI development hypothesis are shown in grey).

Figure 2. Development Hypothesis of BEI



The underlying assumption of BEI was that there was political will to implement and sustain reforms at the national and sub-national levels, as well as sufficient institutional memory, capacity and expertise among the public officials to continue and expand the reforms started by BEI’s intervention. Another assumption of BEI was based on the “narrow” definition of the business environment as a mainly legal and regulatory environment, which explains the focus of the project on regulatory/legal aspects of the business environment. However, the key constraints, as perceived by enterprises, relate to the regulatory burden because, as enterprise surveys and the interviews conducted by the evaluation team show, some constraints to enterprise growth are perceived as even more severe than regulatory and administrative barriers.

5.0 CONCLUSIONS

Taking into account the above findings, and based on the SOW evaluation questions and the evaluation cross-walk, the evaluation team arrived at the following conclusions:

1. The advantage of the WBDB aggregate indicator is that it allows for broad cross-country comparisons across a standardized set of indicators. It may be useful as a guide of legal simplification steps that countries can follow. Use of WBDB indicators stimulated the public sector to engage in reforms and improve the international rankings of Kazakhstan and the KR.
2. The major drawback of the aggregate WBDB indicator is that it provides very little analysis of the context of a specific country. A necessary degree of generalization goes into such a ranking, which may overlook or underemphasize factors which have an even greater impact on the business and

investment climate, as confirmed by the findings of this evaluation mission. Therefore, the WBDB indicator set (at the national level) is insufficient for measuring improvements in the operational SME environment within the timeframe of a development project.

3. Regional and local aspects of the business environment were not addressed in the project design. However, WBDB indicators, if used at the sub-national level, can be meaningful for measuring reform (as proven by their recent successful utilization at the sub-national level in a number of countries, including the Russian Federation).
4. In the KR and Kazakhstan, the most pressing concerns, as perceived by SMEs, are related not only to imperfect regulations per se but also to unsatisfactory degree of the reform implementation.
5. One of the limitations of the BEI's development hypothesis was that, although aimed at improvement of the operational environment for SMEs, it adopted a narrow approach focused primarily on legal and regulatory reform, and did not focus on a broader, systemic definition of the business environment as a subset of the investment climate, as defined by DCED, BEEPS and IFC surveys. In the meantime, those constraints in the SME environment that are reported by stakeholders as the most pressing concerns for business start-up, survival and development, are often broader than the scope of the regulatory reform. In both countries, the priority areas for further reform include:
 - Capacity building at all levels
 - Private sector: management skills, TVET
 - Public sector: particularly RIA
 - Business associations and SCOs: capacity for effective advocacy and PPD
 - Emphasis on implementation of reforms, law enforcement and anti-corruption measures, especially
 - Protection of property rights and judiciary reform
 - Voluntary enterprise closure (regulation and implementation)
 - Anti-monopoly policy (improvement and implementation)
 - Advocacy and business voice heard by the Government
 - Public sector reform and improving efficiency of provision of public services (particularly, civil service reform, decentralization, and advancing e-government)
 - Inventory and simplification of existing regulation, RIA for new regulation

The evaluation team also analyzed the development hypothesis of BEI and concluded that:

1. The impact-level goal of an “improved environment for the growth of SMEs in Kazakhstan, the KR, and Tajikistan” is still valid.
2. In order for the conceptual and implementation frameworks of BEI to be comprehensive, its development hypothesis and the logic model should have included the intermediary (outcome) level results, which are very important for the success of any kind of regulatory reform: its effective implementation de facto, at the national and sub-national levels. These would be the results and sustainable changes that could be reflected in private sector surveys showing the real reduction of key business environment constraints validated by enterprises. However, there is an obvious “implementation gap” in the intervention logic at the outcome-level.
3. The original development hypothesis underlying the intervention design of the BEI had a narrow focus on regulatory reform “de jure,” which is necessary but not sufficient to generate change in systems and behaviors constituting business environment affecting enterprises. As a result, while

the BEI fully performed all planned activities and achieved all expected outputs, the outcome level results (implemented regulatory changes “de facto”) are missing.

4. Regulatory changes introduced or facilitated by the BEI project have not necessarily been implemented and sustained at the national and sub-national level or have resulted in an actual reduction of the regulatory burden in practice, as perceived by SMEs.
5. Differences in men- and women-owned enterprises were not explicitly recognized or addressed in the project design

6.0 RECOMMENDATIONS

This section builds upon the findings and conclusions outlined in the previous sections and is designed to provide a number of indicator sets to measure those aspects of the business environment that are not captured by the WBDB. It is hoped that these recommendations provide a sufficiently broad basis for implementing and measuring meaningful improvements in the business environment for future USAID interventions. It also answers the second and third SOW evaluation questions:

1. What set of indicators would have produced a more realistic assessment of improvements in the business working environment?
2. What changes to tasks, approach and measurement of result does the BEI project suggest for follow-on project and future programming?

6.1 SELECTION OF INDICATORS

SOW QUESTION 2. What set of indicators would have produced a more realistic assessment of improvements in the business working environment?

The proposed set is a product of judgment of the evaluation team but was designed in close consultation with business associations, including those supporting women in business, SMEs, BEI project staff, international organizations and government agencies. It was constructed on the basis of the in-depth review of a wide range of the BEI project documentation dating back to 2006, WBDB index, external surveys, other indexes and indicators currently used by development professionals and international organizations, expert panels, focus groups, open-ended and semi-structured interviews (as per the Data Collection Report).

Composition of the indicators set is guided by three main principles:

- Its soundness and appropriateness for measuring a range of improvements in the business environment beyond the scope of the BEI project.
- Its responsiveness to the most pressing concerns and priorities of the private sector, in countries' most populous cities and the regions, and as perceived by SMEs.
- Its focus on the obstacles faced by the private sector as a result of the interpretations and implementation of business laws and regulatory regimes by the authorities.

The proposed set is further based on the definition of the business enabling environment proposed by the evaluation team, precisely what is meant by “results” and identification of aspects of the business environment that need to be improved. It is also based on the assessment of the development hypothesis

behind the BEI project carried out by the evaluation team and the priority areas the team has identified during Phase 1, 2 and 3 (as above) for further USAID interventions.

Proposed indicators are primarily outcome- and impact-level, rather than performance-level indicators, which are intervention-specific. The indicators define the data that need to be collected for results achieved to be compared with planned results over time. The choice and composition of indicators was also guided by the Performance Management and Evaluation TIPS.¹⁸

6.2 KEY INDICATORS

In this section the evaluation team outlines a set of indicators that it believes would be most appropriate to measure systemic improvements in the business environment. In the absence of a detailed scope for a future USAID intervention, proposed indicators are outlined on the basis of a qualitative analysis of what the business environment is. Wherever possible, effort was made to cross-reference proposed indicators with all key indexes, regional and global indicators used by the WB (WBDB; BEEPS; WBGES), OECD, IFC (Studies of Investment Climate as seen by SMEs in the KR), Transparency International, WEF, USAID, IMF, UN as well data available in CAR through local sources (NGOs, Business Association), to make sure that the proposed set can be used to measure results by drawing on the various third party sources of verification.

The evaluation team proposes the following three-fold approach to the use of indicators:

1. Although limited in scope and based on a number of assumptions, the WBDB indicators track the on-going processes of regulatory reforms and incentivize CAR governments to maintain momentum in delivering visible improvements of the business environment. While the WBDB do not fully capture all of the real challenges of the business environment as perceived by SMEs, the WB methodology reflects both the progress and regress of some reform measures that are already subject to the scrutiny of governments and private sectors worldwide. If used at the sub-national level to capture differences in business regulations and their enforcement across locations in a single country (as has been successfully done in a number of countries, including the Russian Federation), the WBDB set remains a valuable tool. However, it should not be used in isolation from RIA and an alternative set of indicators outlined herein.

Furthermore, the approach used by the BEI project to estimate monetized economic impact (supplemental WBDB-related reform estimated impact) can be utilized, subject to appreciation of its limitations and assumptions. The approach has several limitations as the estimates are mainly linked with the performance of the WBDB indicators (i.e. dealing with construction; registering a property; protecting investors; starting a business; and paying taxes). Nonetheless, the estimates clearly articulate the monetized impact on business, in terms of cost and time savings, as a result of:

- Reduction of time needed to complete procedures
- Reduction of costs associated with the completion of procedures and requirements
- Elimination of duplicate steps, documents and requirements
- Reduction of steps and procedures of compliance

¹⁸ USAID, 2006, Number 6

This approach is based on the calculation of official costs and does not necessarily capture the impact of informal payments that affect businesses when they have to comply with, even if simplified, regulatory requirements. As BEI's experience showed, monetized economic impact in terms of savings to businesses is a plausible indicator of improvements in the regulatory environment, if it measures real savings derived from *implemented* regulatory changes (e.g. assessed 6 - 12 months after the enacted change), rather than only estimated savings prior to the implemented change as was the case with BEI.

2. It is important to reinforce the use of RIA as a tool that can be instrumental at the project level in synergy with, or complementing the efforts of, CAR policymakers in considering the different systemic policy options and consequences of government interventions. Given that the ultimate objective of RIA is to improve the quality of regulation, it needs to be adapted to the specific institutional and regulatory environment of CAR. The findings of the evaluation team indicate that the following aspects would be of particular importance when adapting RIA best practices:

- Formal establishment of RIA policy, with high-level political endorsement (Kazakhstan)
- Integration of RIA into the CAR policy process, utilizing the type of RIA methodology which is most effective and appropriate for the specific country context
- Consistent application of RIA
- Adherence with all key methodological requirements
- Targeting of RIA efforts
- Meaningful and formalized application of consultation mechanisms
- Use of available data collection strategies
- Central oversight of RIA
- Oversight of legal quality
- Applying RIA thinking to existing, and proposed laws

The findings of the evaluation team, based on extensive consultations with business associations, SMEs, BEI project staff, international organizations and government agencies in both countries, indicate a pressing need to work on a further systemic and systematic incorporation of RIA into the legislative framework. This requires a combination of high level policy advice and capacity building for the full application of RIA.

3. The cost-compliance savings methodology used by the BEI, as briefly discussed earlier in the report, is a useful tool that can be used at the project level, if it is used to measure savings resulting from *implemented* reforms (e.g. 3-6 months after the enacted reform), rather than *estimated* savings. Adaptation of the IFC cost compliance tools is an appropriate approach for implementing organizations at a project level to be used for rigorous application, which depends on the specific project SOW. Tools are available through the USAID Economic Growth Learning Centre and include Compliance Cost Savings, and Guidelines for Compliance Cost Savings.

4. Finally, the evaluation team proposes a set of additional indicators, the choice and design of which take into account limitations of the WBDB set of indicators used by the BEI project and reinforces the importance of RIA. The proposed indicators and various sources of verification considered by the evaluation team may be used for drawing additional indicators and sub-indicators that are instrumental in the construction of business environment improvement project baselines and the final selection of individual indicators at the project level.

The key sets of indicators reflect the most pressing business environment constraints identified by the evaluation team. They are described in detail in Annex 7 (Key Indicators) and include:

1) Entry Density

- 2) Regulatory Policy
- 3) Regulatory Management and Policy Coherence
- 4) Regulatory Impact on Business Environment
- 5) Regulatory Transparency (PPD)
- 6) Labor Skills – Demand and Supply (TVET)
- 7) Reduction of Administrative Burden and Regulatory Constraints
- 8) Entrepreneurial Performance
- 9) Labor and Capital Inputs and MFP at Industry Level
- 10) Legal Rights of Business
- 11) Access to Finance
- 12) Competition
- 13) Innovation
- 14) Statistics
- 15) Gender Specific Indicators

6.3 RECOMMENDATIONS FOR FOLLOW-ON PROJECTS AND FUTURE PROGRAMMING

SOW QUESTION 3. What changes to tasks, approach and measurement of result does the BEI project suggest for follow-on project and future programming?

It is the view of the evaluation team that the following factors are critical for the relevance, success and sustainability of future business environment improvement interventions in CAR countries:

1. In order to enhance the quality of the design of interventions, it is suggested that a stakeholder analysis and consultation with key beneficiaries is undertaken, starting from the design stage of the project. The evaluation team found that most interviewees would be interested in, and capable of, providing meaningful and informed contributions to the design of future interventions, based on the real needs of the private sector and CSOs.
2. A nation-wide reform can be supported by concurrent value-chain interventions with related BEI objectives. Sub-national level interventions can make them more effectively advanced: a regional or industry-specific approach focused on value-chain competitiveness and the regulatory environment can be piloted in one, two or three regions. If successful, it can be up-scaled and/or replicated in other regions. This allows for meaningful use of baselines and benchmarking, to measure improvements in the business environment.
3. Investment in institutions and “institutional memory” bearers that can make an impact on policy design and assessment of legislation is essential. It is critical to build the capacity of expert groups/business associations who can subsequently become accredited with government structures, provide expertise and engage in policy design and impact assessments of legislation (this was the greatest sustainable achievement of BEI in both Kazakhstan and the KR).
4. Facilitation of PPD and private sector advocacy will contribute to better quality regulation – not simply reduction of the volume of regulation – and improve the effect this has on firm behaviour.

5. Baseline (diagnostic) studies/surveys should be part of every project to ensure proper monitoring and evaluation. As a general guide, 5-10% of a project budget should be allocated for M&E¹⁹. Baseline studies do not have to be excessive in cost. BEI had baseline data, however it was insufficient since it focused on outputs, rather than outcomes (results). Baseline surveys should include a set of indicators tailored to the objectives of the specific project and do not have to be excessive in costs (e.g. BizCLIR methodology allows a robust and comprehensive baseline survey to be performed within 11 weeks by a few experts). BEEPS indicators (although the survey has been administered every three years) can also be used at a project level, which allows the data to be structured in a way comparable across the national, sub-national and project levels, which is useful for benchmarking and monitoring progress of any specific intervention aimed at improving SME environment.
6. Effective and pro-active donor-coordination, information sharing and division of labour at all stages of the project cycle will provide for a more focused approach and avoid duplication of efforts, and generate savings (including in M&E).

¹⁹ USAID, M&E Fundamentals, Frankel & Gage, 2007

ANNEXES

ANNEX I: EVALUATION STATEMENT OF WORK

STATEMENT OF WORK

C.1 Summary

The Business Environment Improvement (BEI) Project ended September 30, 2011. The project worked to improve the operating environment for businesses in Kazakhstan, Kyrgyzstan and Tajikistan. The indicators chosen to measure improvements in the business environment were: (1) five out of ten components of the World Bank Doing Business (WBDB) index (to be chosen each year, for each country - the components were selected based on the prevailing economic/political situation in the country and where the opportunities existed to improve the indicators); and (2) in areas not covered by WBDB but important to the business environment (for example, state inspections, licensing and permitting) – progress would be measured by assessing the impact of regulatory simplification in monetary terms, using the Regulatory Impact Assessment methodology (RIA²⁰).

The core issues to be determined by this evaluation are – (1) Were the WBDB Index and savings to businesses computed using the RIA methodology the optimal set of indicators to measure the success and impact of improvements in the business working environment in Kazakhstan and Kyrgyzstan? (2) If not, then what set of indicators would have produced a more realistic assessment of improvements in the business working environment? (3) What changes to tasks, approach and measurement of results does the BEI project suggest for a follow-on project and future programming?

Note that the evaluation is not intended to evaluate the quality of WBDB indicators or the RIA methodology per se: i.e. the methodology behind the WBDB Index and RIA computation of savings to businesses through regulatory simplification. It is not the subject of this evaluation. Instead, the evaluation should provide a recommendation on the optimal set of indicators – be it WBDB only, WBDB+RIA only, RIA only, these plus new indicators, or totally different ones. It will also suggest which efforts USAID should prioritize for future follow-on projects. This will be a performance evaluation per the USAID Evaluation Concepts policy.

C.2 Rationale

Economic reform projects develop better laws, regulations, statues and processes for public organizations, help implement them, and thus facilitate economic growth. These projects work closely with public organizations, ministries and regional organizations. Frequently, economic reform projects seek to influence decision makers in public organizations such as ministries, customs authorities and parliamentary committees. Projects like BEI exert effort to articulate best practices to decision makers, persuade them to undertake reforms and build the capacity of public organizations to fulfill constructive purposes like implement these reforms.

Economic reform activities have been a significant part of USAID/CAR's economic development portfolio for more than ten years. BEI was a flagship, multi-country, multi-year, multi-million dollar project that realized its stated objectives of substantially improving the standing of Kazakhstan, Kyrgyzstan and Tajikistan according to the WBDB Index and RIA of regulatory simplification. However, USAID continues

²⁰ The Regulatory Impact Assessment methodology is widely used in developed countries to assess monetary impact of existing and draft legislative acts on businesses. If a procedure is removed/added, its cost to businesses is multiplied by the number of businesses who would have been subject to that procedure.

to receive reports from various sources that the business environment in each of the three countries continues to be poor and essentially unchanged for small and medium enterprises (SMEs).

C.3 Background

BEI began in October 2006 and initially was scheduled for completion in September 2010 in all three countries of operation – Kazakhstan, Kyrgyzstan and Tajikistan. While BEI was extended in Kazakhstan and Kyrgyzstan for another 12 months, the project in Tajikistan was only ended due to lack of funds and not because of project performance or other factors and will not be included in the evaluation.

The governments of the Central Asia region recognize the potential role of the private sector as key contributors to the diversification and stability of economies now largely dependent on the export of a few commodities and they realize the importance of growing SMEs to provide much needed employment. In the three BEI countries, there has been sufficient political will at the top echelons of government to address some of the formal barriers regulating business conduct.

The executive summary of the contract explains the purpose of the BEI Project as follows:

“With the primary objective of reducing the regulatory burden on business, USAID sees the need to establish effective self-sustaining mechanisms for monitoring of the legal and regulatory environment for business, and identification of business constraints and their reduction through effective and well-informed public-private dialogue. A number of business associations and other local organizations in Kyrgyzstan, Tajikistan and Kazakhstan have expressed strong interest and commitment to take an active part in such dialogue and in activities aimed at improving the business environment. By working with Governments to streamline processes and through informed and effective dialogue and partnerships between the private sector and public sector, this reform process will result in better SME policies, deregulation at the local, national and regional level, and proper implementation of laws and regulations, thus leading to an improved business environment for SMEs.”

BEI had two sets of targets for the four original years of the project length: (1) selected WBDB indicators - 5 out of 10 for each country, excluding Trading Across Borders covered by another project; and (2) monetary impact of those reforms that are not measured by WBDB. The monetary impact was measured by the contractor, using the Regulatory Impact Assessment, and calculated direct savings by businesses due to administrative simplification assisted by the project (both at the national level and at the local level in those regions where BEI provided assistance).

For the fifth year in Kazakhstan, improvement on two WBDB indicators was set as a target, and for Kyrgyzstan, where economic activities and donor assistance were disrupted by the 2010 revolution and ethnic clashes, a specific number of consultations to the Kyrgyz government on economic stability were chosen as an indicator – NB: this was an ad hoc indicator for a post-revolutionary situation, and will not be included in the evaluation; finally, for both countries, reduced non-WBDB legal and regulatory burdens were also set as an indicator (not measured by RIA). Tajikistan will not be covered by this evaluation.

Measured by the indicators, the BEI project had very good results: the only indicators that were not met were the targets in Kyrgyzstan for the fifth year due to a complicated post-revolutionary situation in the country and delays in the transitional government. All other indicators have been surpassed. In addition to considerable monetary savings for SMEs, BEI has had unprecedented achievements based on the independent WBDB set of indices: the three countries in which it has worked, have been included in the WBDB top ten reformers list five times: Kyrgyzstan in 2009 and 2010 WBDB reports (published in 2008 and 2009 respectively), Tajikistan in 2010 and 2011, and Kazakhstan as the top world reformer in 2011. Business associations and other informed observers, however, complain that notwithstanding all the reforms, the situation for businesses has not materially changed.

Results Sought for Evaluation

Given that the chosen indicators appear not to fully measure the state of the business enabling environment and improvements therein, USAID would like to learn through this evaluation if USAID were to design a new project for Kazakhstan and Kyrgyzstan whose purpose was to improve the business enabling environment what would be an optimal set of indicators. Tajikistan will not be covered by this evaluation.

The core issues to be determined by this evaluation are – (1) Were the WBDB Index and savings to businesses computed using the RIA methodology the optimal set of indicators to measure the success and impact of improvements in the business working environment in Kazakhstan and Kyrgyzstan? (2) If not,

then what set of indicators would have produced a more realistic assessment of improvements in the business working environment? (3) What changes to tasks, approach and measurement of results does the BEI project suggest for a follow-on project and future programming?

Note that the evaluation is not intended to evaluate the quality of WBDB indicators or the RIA methodology per se: i.e. the methodology behind the WBDB Index and RIA computation of savings to businesses through regulatory simplification. It is not the subject of this evaluation. Instead, the evaluation should provide a recommendation on the optimal set of indicators – be it WBDB only, WBDB+RIA only, RIA only, these plus new indicators, or totally different ones. It will also suggest which efforts USAID should prioritize for future follow-on projects. This will be a performance evaluation per the USAID Evaluation Concepts policy.** In suggesting an alternative set of indicators, the evaluation team should propose indicators that will differentiate the impact of future business environment improvement projects according to gender.

C.4 Gender

According to the USAID/CAR Gender Assessment, in the BEI project, it was asserted that the actions taken to improve the process of business licensing or reforms to commercial law were made without taking into consideration gender issues. In fact, men and women are differentially impacted by conditions in the business enabling environment, and that indicators capture this.

The purpose of this evaluation is to check the soundness and appropriateness of the WBDB indicators as a tool for measuring the improvement on the business working environment. The WBDB indicators themselves are generally considered to be gender equal, and by improving the business working environment, the BEI Project was intended to create a more level playing field that rewarded businesspeople based on their merits, and not on their connections, social standing, or sex. Therefore, the results of BEI activities were also expected to equally benefit women and youth who, traditionally, have fewer connections and patrons in the government, the banking, and legal system.

Studies have found that formal registration of business increases its likelihood of growth and access to key resources including credit, but that men and women are differentially able to take the step of formalization, given their different endowments of time, knowledge, and capital. USAID/CAR is also interested in learning whether the WBDB indicators selected by BEI capture and reflect the different ways (if any) in which men and women benefit or do not benefit from project activities geared toward improvements in the business working environment. If the indicators fail to accurately reflect the possibly different realities experienced by men and women due to changes in the business working environment, recommendations for new indicators must factor in their responsiveness in capturing gender inequities. For instance, if an indicator responds to both negative and positive changes experienced by men, but only responds to positive changes experienced by women, then the indicator has failed to accurately capture gender inequities.

C.5 Evaluation Methodology

The Offeror's proposal will suggest a technical approach that best addresses the goals of the RFTOP. The client's intended uses of data must guide the evaluation design and the types of methods that are used. It is anticipated that proposed evaluation methods will employ one or more of the commonly used evaluation methods such as interviews, direct observation, focus groups, surveys, secondary data collection, transect walks and/or group discussions. The Offerors are encouraged to consult and use the sources of data that relate to microeconomic reform, strengthening businesses, infrastructure, and trade facilitation in Central Asian, and costs of doing business. These may be available from Central Asian governments, think tanks and research institutes both in the region and elsewhere, EurAsEC, the Eurasian Development Bank, the Asian Development Bank's CAREC Institute, the World Bank, the WTO, and United Nation's specialized agencies like the UN Special Programme for the Economies of Central Asia. It may also include data from host-region NGOs such as business associations, American Chambers of Commerce and other groups involved in improving the business enabling environment.

ANNEX 2: LIST OF MEETINGS AND FOCUS GROUPS

A list of interviews, expert panel, focus group meetings and briefings/updates/discussions (USAID) conducted by Mrs. Lana Hopkinson (COP) and Mr. Danil A. Samoilenko (ME) in KR in the period 18 October – 30 October 2012, and in Kazakhstan, 31 October – 11 November 2012, is provided in Table 3.

Table 3. List of Meetings and Group Discussions

Date	Time	City	Organization	Contact Person	Contact Details	Type
17 Oct	10:00	Almaty	Independent Association of Entrepreneurs	Nazkhanov Timur	7 (727)309 51 42	Semi-structured interview
17 Oct	14:00	Almaty	Doing Business Project -World Bank	Emanuel Salinas, Leonardo Lemes	7 (727)298 05 80	Semi-structured interview
18 Oct	18:30	Bishkek	Chairman of the Board of Tourism Union of Entrepreneurs of KR (NGO)	Mihail Khalitov	772529518	Semi-structured interview
18 Oct	14:00	Bishkek	Manager Cooperative Union of KR (NGO)	Ainura Imanbekova Kasymkulovna	461366	Semi-structured interview
19 Oct	09:00	Bishkek	President Association of Accountants and Auditors (OBA)	Gulnara Uskenbaeva Turarovna	663803	Semi-structured interview
19 Oct	11:00	Bishkek	Head, RIA Department, KR Ministry of Economic Regulation (Kyrgyz Government Counterparts)	Indira Arunova	662448	Semi-structured interview
22 Oct	14:00	Bishkek	Chairman of the Association of fruit and vegetable enterprises (NGO)	Dilyara Alimjanova	317650	Semi-structured interview
22 Oct	16:00	Bishkek	ex-Pragma, Prime Minister Adviser	Nursulu Ahmetova	976191	Semi-structured interview
23 Oct	10:00	Bishkek	Director of the Association of Textile and Clothing Industry (NGO)	Farkhad Tyuligenovish		Semi-structured interview
23 Oct	14:00	Bishkek	Head of the Women Entrepreneurs Support Association (WESA)	Gulnara Sharshenovna	352674	Semi-structured interview
23 Oct	16:00	Bishkek	EFCA KR Executive Director + 3 experts	Shamil Ibragimov	561164	Expert Panel
23 Oct	17:00	Bishkek	Former DCOP and COP of BEI	Jonathan Crum	jrcrum@gmail.com	Semi-structured interview over Skype
24 Oct	10:00	Bishkek	Head of Division, Sanitary and Epidemiology Department (Kyrgyz Government Counterparts)	Liudmila Davydova	323154, 323203	Semi-structured interview

Date	Time	City	Organization	Contact Person	Contact Details	Type
25 Oct	10:00	Bishkek	Head of the Secretariat of the Council for Business Development and Investment KR (NGO)	Taalaibek Koichumanov Dzhimashovich	0552502256	Focus Group / Questionnaire
		Bishkek	Bai Tushum & Partners, Head of Business Development Department	Anara Baijumanova	905 803	
		Bishkek	President Association of Accountants and Auditors (OBA) (now Association of Suppliers) and NABA	Gulnara Uskenbaeva Turarovna	663803	
		Bishkek	FORESIGHT Foundation	Marat Atokurov Victor Efremov	555-88-44-47	
25-Oct	14:00	Bishkek	USAID/KR	Konurbayev, Erkin (USAID/KR)	551 241 ext. 4557	Briefing / update / discussion / semi-structured interview
			USAID project REFORMA (implemented by Deloitte)	Rarisa Ermakova, Chief Legal Advisor Karen Westergaard, COP of REFORMA	666044, 610448	
25 Oct	19:00	Bishkek	Former project manager, Pragma Corp.	Lyubov Niemann	lniemann@pragmacorp.com	Semi-structured interview over Skype
29 Oct	14:00	Bishkek	Project Manager, IFC Investment Climate Advisory Services in KR	Irina Kokaia	626162	Semi-structured interview
29 Oct	16:00	Bishkek	USAID/KR	Lawrence Held; Daniyar Ilebaev (USAID/KR)	551 241 ext. 4437	Briefing / update / discussion
30 Oct	15:00	Bishkek	Director of Capacity Building for Economic Management Project Implementation Unit	Janyl Tumenbaeva	621982	Semi-structured interview
Nov1	9-30	Almaty	Chemonics Intrl. (REC)	Zaure Abdrakhmanova	7 (727) 313 76 96, 7 (701) 714 17 49	Semi-structured interview
Nov1	11-00	Almaty	AmCham	Doris Bradbury	7 (727) 330 92 50	Semi-structured interview

Date	Time	City	Organization	Contact Person	Contact Details	Type
Nov 2	14-00	Almaty	EurAsia Foundation	Rinad Sabirovich	7 (727) 250 18 10	Semi-structured interview
Nov 5	10-00	Almaty	IFC	Leonardo Lemes	7 (727) 298 05 86	Semi-structured interview
Nov 5	14-00	Almaty	Focus group participants:			Focus Group/ Questionnaire
			SIAR consulting	Ainura Sagynbaeva	7 (727) 232 42 32	
			Transparency International	Sergei Zlotnikov	7 (727) 260 06 78, 7 (707)833 06 50	
			Forum of Entrepreneurs	Munavara Paltasheva	7 (727) 250 96 88	
			Republican Assoc. of Entrepreneurs in metal recycling	Vladimir Lik		
			Kazakh Confederation of Employers	Kadyrov Nadjat		
Nov 7	09-55	Astana	USAID Macroeconomic Project	Elizaveta Krupochkina	+ 7 (701) 312 14 85 Astanalyk Business Center, Office 1005	Semi-structured interview
Nov 7	15-00	Astana	Association of entrepreneurs of Astana	Irina Tyugina Asiya Kobzhasarova	+7 (701) 754 72 64	Semi-structured interview
Nov 9	11-00	Astana	Economic Research Institute	Gaukhar Makashova	+7 (7172) 70 18 11, "House of Economy", left bank, office 106	Semi-structured interview
Nov 12	15-30	Almaty	KISI	Sarlybaeva Bella Rashidovna	+7 (727) 2643404, 2645571 87 B Dostyk ave. , office #56 of the Kazakh Central Archive	Semi-structured interview
Nov 16	14-00	Almaty	USAID			Final Presentation

ANNEX 3: SOURCES OF INDICATORS FOR BEI

ENTERPRISE SURVEYS (BEEPS)²¹

Enterprise Surveys provide company-level data on 100,000+ firms in 121 countries among the world's emerging markets and developing economies. Data are used to create indicators that benchmark the quality of the business and investment climate across countries.

The Enterprise Surveys implemented in Eastern Europe and Central Asian countries are also known as Business Environment and Enterprise Performance Surveys (BEEPS) and are jointly conducted by the [World Bank](#) and the [European Bank for Reconstruction and Development](#).

Who is surveyed?

An Enterprise Survey is a firm-level survey of a representative sample of an economy's private sector. The surveys cover a broad range of business environment topics including access to finance, corruption, infrastructure, crime, competition, and performance measures.

The Survey is answered by business owners and top managers. Sometimes the survey respondent calls company accountants and human resource managers into the interview to answer questions in the sales and labor sections of the survey. Typically 1200-1800 interviews are conducted in larger economies, 360 interviews are conducted in medium-sized economies, and for smaller economies, 150 interviews take place.

Structure of the surveys

The Enterprise Surveys Unit uses two instruments: the Manufacturing Questionnaire and the Services Questionnaire. Although many questions overlap, some are only applicable to one type of business. For example, retail firms are not asked about production and nonproduction workers.

The standard Enterprise Survey topics include firm characteristics, gender participation, access to finance, annual sales, costs of inputs/labor, workforce composition, bribery, licensing, infrastructure, trade, crime, competition, capacity utilization, land and permits, taxation, informality, business-government relations, innovation and technology, and performance measures.

Over 90% of the questions objectively ascertain characteristics of a country's business environment. The remaining questions assess the survey respondents' opinions on what are the obstacles to firm growth and performance. The mode of data collection is face-to-face interviews.

Sampling and weights

The sampling methodology for Enterprise Surveys is stratified random sampling. In a simple random sample, all members of the population have the same probability of being selected and no weighting of the observations is necessary. In a stratified random sample, all population units are grouped within homogeneous groups and simple random samples are selected within each group. This method allows computing estimates for each of the strata with a specified level of precision while population estimates can also be estimated by properly weighting individual observations. The sampling weights take care of the varying probabilities of selection across different strata. Under certain conditions, estimates' precision under stratified random sampling will be higher than under simple random sampling (lower standard errors may result from the estimation procedure).

²¹ <http://www.enterprisesurveys.org/>

The strata for Enterprise Surveys are firm size, business sector, and geographic region within a country. Firm size levels are 5-19 (small), 20-99 (medium), and 100+ employees (large-sized firms). Since in most economies, the majority of firms are small and medium-sized, Enterprise Surveys oversample large firms since larger firms tend to be engines of job creation. Sector breakdown is usually manufacturing, retail, and other services. For larger economies, specific manufacturing sub-sectors are selected as additional strata on the basis of employment, value-added, and total number of establishments figures. Geographic regions within a country are selected based on which cities/regions collectively contain the majority of economic activity.

This section provides an overview of the various sources of data for diagnosing constraints in business environment, in addition to WBDB indicators, which the evaluation team considers most appropriate for potential use in future BEI projects in CAR countries.

In order to succeed, donor interventions related to improvement of business environment need data that can provide baseline for improvement, inform project design, measure results, and validate development impact. The evaluation team looked at a range of diagnostic tools that may be useful for BEI interventions.

BizCLIR

This systematic approach reflects the understanding that the business environment is a complex system with many actors, processes, and governing rules.

The BizCLIR assessment tool²² offers a comprehensive methodology for business environment reform using a 360-degree stakeholder assessment. Assessment of specific constraints within the business environment is based on a set of comprehensive indicators. The methodology considers each of the Doing Business topics at a deeper level by analyzing more than 1,000 indicators. Within each of the topics, four pillars of the business environment are evaluated:

- Legal Framework;
- Implementing Institutions;
- Supporting Institutions; and
- Social Dynamics.

Interventions based on this methodology implement technical assistance to target these constraints, and develop/manage/share knowledge products to disseminate the experiences related to business environment reform.

The resulting assessment is a data-rich report for understanding the constraints to business entry, operation, and growth. Governments, donor organizations, and other stakeholders can use this framework to correct inefficiencies in the country's laws and institutions.

- USAID experience demonstrates the following advantages of this methodology:
- Rapid Initiation: Agenda for action report can be produced within 8- 11 weeks of the initial request.
- Light Footprint: The logistics and scheduling are independently managed and do not require significant mission involvement

²² Adapted from http://www.bizclir.com/cs/about_bizclir

- Quick Procurement: The diagnostics do not require a new task order - USAID Missions and other US Agencies can simply add funds into the project.

Indicators

The assessment methodology is based on a comprehensive set of indicators that are grouped by the topics and pillars described above. Within each topic-pillar grouping exists a set of framework indicators and supporting indicators. Each of these indicators is simply a statement that represents a baseline requirement for a modern business environment.

Each of the framework indicators is rated on a scale of one to five with one indicating a strong negative assessment and five indicating a strong positive assessment based on the guidance the many supporting indicators provide. Once the assessment is complete, the average indicator scores by topic and pillar suggest to the assessors the areas in need of greatest focus.

This method of assigning quantitative scores to qualitative indicators is not intended for cross-country benchmarking of any kind, which would be inappropriate. However, it has proven to be a highly effective mechanism to guide experts focusing on the country to the key areas of the business environment in need of attention. From a quick perusal of the scores, one can quickly identify the topics with the lowest average scores. Evaluating the underlying framework indicators quickly highlights the issues of greatest concern.

Technical Assistance

BizCLIR solutions are concrete, measurable, and based on international standards. They include a wide array of practical reform initiatives. Projects range from the development of credit bureaus to the reorganization of customs agencies to the drafting of new company laws. This technical assistance is tailored to meet the needs of the client, and, therefore, projects vary in duration, level of effort, and cost.

A clear focus on maximum knowledge transfer is built into every project through the integration of local assistance. Close consultation with the local public and private sectors is included to ensure the necessary buy-in for successful reform. Selected best practices are used to increase the impact of implementation.

Knowledge Management: Development and Sharing

While the other three components of the BizCLIR Project are actively engaging in the developing world, they generate valuable knowledge, be they country assessments, the indicator sets, or best practices from technical assistance engagements. They are dependent upon the knowledge management and development component to ensure that this information can be captured, packaged, and disseminated in an efficient manner. The BizCLIR website provides the hub of the knowledge management efforts where all products can be viewed and downloaded.



MicroCLIR

BizCLIR is a tool designed to assess the business climate in a given country based on four assessment dimensions (legal framework, implementing institutions, supporting institutions, and social dynamics) and is aligned with the 10 doing Business topics included in the World Bank's Ease of doing Business Index. **MicroCLIR** applies this framework to one or more specific value chains to assess the practical effects of certain laws, policies, and regulations on a sub-sector. Because the analysis is so focused, only those dimensions are used that reflect the real constraints in the business environment of the given value chain. MicroCLIR consists of the following steps:

1. Perform a literature review to form a hypothesis of potential constraints facing the value chain.
2. Conduct an overview value-chain analysis to understand how each segment interacts with the next and who the main stakeholders are.
3. Identify priority constraints affecting the value chain.
4. Analyse each constraint from four perspectives: legal framework, implementing institutions, supporting institutions, and social dynamics.
 - a. Legal Framework - analysis of the laws and regulations that govern or are the structural basis for the particular constraint. The analysis will examine how the laws, regulations, and policies affect the different players in the value chain, whether the legal framework causes or promotes the constraint, how clear the guidelines are, how closely they follow global standards, and what inconsistencies exist.
 - b. Implementing Institutions - analysis of how those institutions with the primary responsibility for implementing a regulation or policy are enabling or alleviating a particular constraint. These institutions include government ministries, authorities, and registries, and, in certain cases, private institutions such as banks and credit bureaus.
 - c. Supporting Institutions - how they affect or interact within the value chain as a result of a particular constraint. Examples include farmer associations and cooperatives, rural banks, professional associations, agriculture and other university faculties, and donors.
 - d. Social Dynamics - key social or cultural issues that underpin the constraint. Roadblocks to reform, in particular, are considered, including those entities that may be undermining change. Social dynamics also concern such important matters as gender, human capacity, and public health, each of which may have a significant bearing on how the business environment truly functions.

Sub-national and Regional Doing Business²³

The Doing Business project provides objective measures of business regulations and their enforcement across 183 economies and selected cities at the sub-national and regional level. It measures the regulations applying to domestic small and medium-size companies through their life cycle as reflected in 10 indicators: starting a business; dealing with construction permits; employing workers; registering property; getting credit; protecting investors; paying taxes; trading across borders; enforcing contracts; and closing a business. **Sub-national** and **regional** Doing Business reports capture differences in business regulations and their

²³ <http://www.doingbusiness.org/Subnational>

enforcement across locations in a single country or region. They provide data on the ease of doing business, rank each location, and recommend reforms to improve performance in each of the indicator areas.

Investing Across Borders²⁴

The Investing Across Borders project provides Indicators of foreign direct investment regulation in 87 economies and benchmarks the quality of regulations and efficiency of administrative processes for foreign direct investment based on an annual survey of law firms and other professional service providers.

The Investing Across Borders (IAB) indicators measure FDI regulation in 4 specific policy areas. They aim to complement existing measures of the quality of business environments. Quantitative data and benchmarking can be useful in stimulating policy debate and action, both by exposing potential challenges and by identifying where policy makers might look for lessons and good practices. Indicators can also provide a basis for analyzing how different policy approaches—and different policy reforms - contribute to broader desired outcomes such as FDI, competitiveness, and growth. The following examples illustrate how the areas of regulation measured by IAB can be reflected in foreign investors' decision making.

Global Investment Promotion Benchmarking²⁵

The Global Investment Promotion Benchmarking project reviews the capabilities of 210+ investment promotion intermediaries worldwide in responding to inquiries and providing online information to potential investors.

Better Regulation for Growth²⁶

The Better Regulation for Growth program reviews experiences and advises on regulatory governance in developing countries. The program is a joint initiative of the Dutch Ministry of Foreign Affairs, the UK Department for International Development (DFID) and the investment climate advisory service of the World Bank Group.

IFC Survey 'Investment Climate in the KR as Seen by SMEs'

The objective of this Survey is to assess the existing conditions for doing business in the KR in 2008 and to develop recommendations for improving them. The last report was issued in 2010 and the update is expected in December 2012.

The Survey is based on the results of a interviews and questioners with managers of about 2,000 small and medium enterprises (SMEs), representing all regions of the country. Besides small and medium companies, the survey also included the sub-populations of individual entrepreneurs and farmers. Detailed information on the realities of the investment climate that are faced by these three segments of the population is presented here; it is hoped that the empirical data from this Survey will be used by various stakeholders to stimulate the investment climate and make administrative procedures more efficient and transparent.

The Survey examines the key challenges faced by small and medium enterprises (SMEs) in the KR, in an attempt to identify the issues and areas in most urgent need of reform. The IFC Study of Investment Climate as seen by Small and Medium Enterprises in the KR1 (the "Survey") is the first survey of the investment climate in the KR conducted by IFC (following the publication of similar surveys throughout the region since

²⁴ <http://iab.worldbank.org/>

²⁵ <https://www.wbginvestmentclimate.org/uploads/GIPB2009.SummaryReport.pdf>

²⁶ <https://www.wbginvestmentclimate.org/advisory-services/regulatory-simplification/business-regulation/better-regulation-for-growth/brg.cfm>

2000, including in Azerbaijan, Georgia, Tajikistan, Ukraine, and Uzbekistan), and analyzes the views of 2,010 SMEs in three separate categories: individual entrepreneurs (667); small and medium companies (711); and farmers (632).

Investment Climate Assessments²⁷

World Bank Investment Climate Assessments identify key constraints to growth in a country and areas for reform. These reports analyse perception of entrepreneurs and firm performance in the country and their link to quantitative data found in investment climate surveys.

Business Environment Snapshots (WBGES)²⁸

Business Environment Snapshots is a one-stop guide to business environment indicators, laws, and World Bank Group project information for 183 countries. WBGES incorporates some of the features of WBDB yet it is a more comprehensive aggregate indicator of business registration around world (112 countries) that can be used to study the factors that foster dynamic private sector growth on a time scale. The WBGES data shows that ‘more dynamic business creation occurs in countries that provide entrepreneurs with a stable legislative and regulatory regime, a rapid and inexpensive business registration process, more flexible employment regulations, and low corporate taxes’.

The WBGES provides an indicator of entrepreneurship based on an objective measure of business creation. Its nature makes the WBGES an appropriate indicator to measure the impact of regulatory, political, and macroeconomic institutional changes on the private sector, therefore becoming a valuable tool for policy making.

WBGES measures entry density as ease of starting and closing a business (a/cost of starting a business % of per capita income; b/time required to start a business in days; c/procedures required to start a business and d/cost of closing a business % of estate’s value). It also measures Entry Density vs. Government Index and Corporate Tax Rate, Entry Density and Informal Economy, as well as Entry Density in connection with internet registration and ease of starting business. The WB’s findings suggest that a more dynamic business creation occurs in countries which reduced and simplified rules and procedures and achieved a stable investment climate.

The Little Data Book on Private Sector Development 2010²⁹

The Little Data Book on Private Sector Development 2010 is one of a series of pocket-sized books intended to provide a quick reference to development data on different topics. It provides data for more than 20 key indicators on business environment and private sector development in a single page for each of the World Bank member countries and other economies with populations of more than 30,000. These more than 200 country pages are supplemented by aggregate data for regional and income groupings.

OECD The Entrepreneurship Indicators Programme (EIP)³⁰

The Entrepreneurship Indicators Programme (EIP) is a coordinated effort to agree on a policy-relevant, analytical model, build a measurement infrastructure and gather comparable data. A number of developments conspired to provide impetus for the EIP. An OECD Ministerial Meeting in Istanbul in 2004 called for

²⁷ <https://www.wbginvestmentclimate.org/research-and-diagnostics/>

²⁸ <http://rru.worldbank.org/besnapshots/>

²⁹ http://publications.worldbank.org/ecomerce/catalog/product?item_id=9564576

³⁰ <http://www.oecd.org/industry/entrepreneurshipandbusinessstatistics/theentrepreneurshipindicatorsprogrammeeipbackgroundinformation.htm>

countries to develop more robust statistics on SMEs and entrepreneurship to improve policy development and monitoring. The Centre for Entrepreneurship, SMEs and Local Development was established within the OECD and emphasized users' needs for international entrepreneurship data.

The Worldwide Governance Indicators³¹

The Worldwide Governance Indicators (WGI) are a long-standing research project to develop cross-country indicators of governance. The WGI consist of six composite indicators of broad dimensions of governance covering over 200 countries since 1996: Voice and Accountability, Political Stability and Absence of Violence/Terrorism, Government Effectiveness, Regulatory Quality, Rule of Law, and Control of Corruption. These indicators are based on several hundred variables obtained from 31 different data sources, capturing governance perceptions as reported by survey respondents, nongovernmental organizations, commercial business information providers, and public sector organizations worldwide.

These aggregate indicators combine the views of a large number of enterprise, citizen and expert survey respondents in industrial and developing countries. They are based on 30 individual data sources produced by a variety of survey institutes, think tanks, non-governmental organizations, international organizations, and private sector firms.

World Economic Forum³²

The Global Competitiveness Report

The Global Competitiveness Report 2012-2013 assesses the competitiveness landscape of 144 economies, providing insight into the drivers of their productivity and prosperity. The Report series remains the most comprehensive assessment of national competitiveness worldwide. Access the data platform to visualize and download the data.

This year's report findings show that Switzerland tops the overall rankings in The Global Competitiveness Report for the fourth consecutive year. Singapore remains in second position with Finland, in third position, overtaking Sweden (4th). These and other Northern and Western European countries dominate the top 10 with the Netherlands, Germany and United Kingdom respectively ranked 5th, 6th and 8th. The United States (7th), Hong Kong (9th) and Japan (10th) complete the top 10. The Report emphasizes persisting competitiveness divides across and within regions, as short-termism and political deadlock continue to hold back the economic performance of many countries and regions. Looking forward, productivity improvements and private sector investment will be key to improving global economies at a time of heightened uncertainty about the global economic outlook.

The Global Gender Gap Report

The Global Gender Gap Report, introduced by the World Economic Forum in 2006, provides a framework for capturing the magnitude and scope of gender-based disparities around the world. The index benchmarks national gender gaps on economic, political, education- and health-based criteria and provides country rankings that allow for effective comparison across regions and income groups and over time.

The rankings are designed to create greater awareness among a global audience of the challenges posed by gender gaps and the opportunities created by reducing them. The methodology and quantitative analysis

³¹ <http://info.worldbank.org/governance/wgi/>

³² <http://www.weforum.org/reports>

behind the rankings are intended to serve as a basis for designing effective measures for reducing gender gaps.

WB/IFC Women, Business and the Law, 2012, focuses on gender differentiations in legal treatment in areas affecting women’s participation in the economy, one of many sets of factors that determine the course of women’s working lives. Covering 141 economies, including CAR, it establishes six indicators of gender differences in formal laws and institutions:

Accessing institutions—explores women’s legal ability to interact with public authorities and the private sector in the same ways as men.

Using property—analyzes women’s ability to access and use property based on their capacity to own, manage, control and inherit it.

Getting a job—assesses restrictions on women’s work such as prohibitions on working at night or in certain industries.

Providing incentives to work—examines personal income tax liabilities, taking into account the tax credits and deductions available to women relative to men.

Building credit—identifies minimum loan thresholds in private credit bureaus and public credit registries and tracks bureaus and registries that collect information from microfinance institutions.

Going to court—considers the ease and affordability of justice by examining women’s access to small claims courts, which can facilitate access to the legal system for small business owners, making it cheaper and faster for women who own businesses—which tend to be smaller—to resolve disputes.

Index of Economic Freedom - Heritage Foundation, 2012 ³³

Index of Economic Freedom measures economic freedom of 184 countries based on trade freedom, business freedom, investment freedom, and property rights.

³³ <http://www.heritage.org/index/>

ANNEX 4: ANALYSIS PLAN (EVALUATION CROSS-WALK)

Table 4 provides an analysis planning tool, linking evaluation questions with the relevant sources of qualitative and quantitative data.

Table 4. Evaluation Cross-Walk

Evaluation Questions – Group 1	Data Sources				
	Beneficiaries	Expert Panel	Project Docs	Other studies	Project Staff
Examining the Current SME Environment, the Original Project Design and Development Hypothesis					
<p>1. Which dimensions of the ‘business environment’ do beneficiaries/stakeholders identify as the most pressing for improving the business enabling environment for SMEs (as identified by key informant interviews, focus group discussions, and the expert panel)?</p>	<p><i>Associations and Unions of Entrepreneurs (KR)</i></p> <ul style="list-style-type: none"> o Board of Tourism Union of Entrepreneurs; o Cooperative Union; o Association of Accountants and Auditors; o Association of Suppliers (Manufactures and Distributors) o Association of fruit and vegetable enterprises; o Association of Textile and Clothing Industry; o Women Entrepreneurs 	<p>KR <i>EFCA Expert Panel</i> Mr. Shamil Ibragimov; Mrs. Nazgul Aksarieva Mrs. Dinara Mysabekova</p> <p><i>NGOs Focus Group</i></p> <ul style="list-style-type: none"> o Secretariat of the Council for Business Development and Investment; o Bishkek business club; o International Business Council; o Markets Union; o Union of entrepreneurs; o Association of Accountants and Auditors <p>KAZAKHSTAN</p> <ul style="list-style-type: none"> o SIAR consulting o Transparency 		<ul style="list-style-type: none"> o BEEPS At-a-glance, 2008, The World bank, 2010; o BEEPS data sets; o Investment Climate as Seen by SMEs, IFC, 2010; o Competitiveness and Private Sector Development in Central Asia, OECD, 2011; o Economic Freedom Index, Heritage Foundation; o Gender Assessment, USAID/Central Asian Republics, 2010; o WEF, The Global Gender Gap Report, 2011; o OECD World Economic Forum (WEF) Global Competitiveness Index 	<ul style="list-style-type: none"> o Ms. Nursulu Ahmetova; o Mr. Shamil Ibragimov; (now EFCA) o Ms. Lyubov Niemann (project manager of BEI, Pragma) o Mr. Jonathan Crum, DCOP and COP of BEI o Ms Zaure Abdrakhmanov a o Elizaveta Krupochkina o Irina Tyugina o Asiya Kobzhasarova

Evaluation Questions – Group 1	Data Sources				
	Beneficiaries	Expert Panel	Project Docs	Other studies	Project Staff
Examining the Current SME Environment, the Original Project Design and Development Hypothesis					
	Support Association; ○ Union of Entrepreneurs; KAZAKHSTAN ○ Forum of Entrepreneurs ○ Republican Assoc.of metal disposal entrepreneurs ○ Kazakh Confederation of Employers ○ Independent Association of Entrepreneurs	International ○ Forum of Entrepreneurs ○ Republican Assoc.of metal disposal entrepreneurs ○ Kazakh Confederation of Employers ○ Independent Association of Entrepreneurs		(GCI); ○ IMF Economic databases, and economic reports (IMF.org) ○ World Bank Economic Database (worldbank.org)	
2. What would be the areas for further reform that would make a direct profound material change for SMEs as regards BE (as identified by key informant interviews, focus group discussions, and the expert panel)?	<i>Associations and Unions of Entrepreneurs (as above)</i>	<i>NGOs Focus Group (as above)</i>		As above.	○ Ms. Nursulu Ahmetova; ○ Mr. Shamil Ibragimov; (now EFCA) ○ Ms. Lyubov Niemann (project manager of BEI, Pragma) ○ Mr. Jonathan Crum, DCOP and COP of BEI

Evaluation Questions – Group 1	Data Sources				
	Beneficiaries	Expert Panel	Project Docs	Other studies	Project Staff
Examining the Current SME Environment, the Original Project Design and Development Hypothesis					
					<ul style="list-style-type: none"> ○ Ms Zaure Abdrakhmanova ○ Elizaveta Krupochkina ○ Irina Tyugina ○ Asiya Kobzhasarova
3. Which dimensions of the ‘business environment’ were included in the design of the intervention (within and outside of the WBDB indicator sets);			<ul style="list-style-type: none"> ○ Bi-monthly, semi-annual, annual and final reports/ Contract amendments, Pragma Corporation, 2006-2001 		<ul style="list-style-type: none"> ○ Ms. Nursulu Ahmetova; ○ Mr. Shamil Ibragimov. ○ Mr. Jonathan Crum, DCOP and COP of BEI ○ Ms Zaure Abdrakhmanova ○ Elizaveta Krupochkina
a. To what degree were beneficiary/stakeholder priorities recognized and	<i>Associations and Unions of Entrepreneurs (as above)</i>		As above; and <ul style="list-style-type: none"> ○ Validation of WBDB Analysis and Indicators, Relation to 		<ul style="list-style-type: none"> ○ Ms. Nursulu Ahmetova; ○ Mr. Shamil Ibragimov. ○ Mr. Jonathan

USAID/Central Asian Republics Business Environment Improvement Project Evaluation

Evaluation Questions – Group 1	Data Sources				
	Beneficiaries	Expert Panel	Project Docs	Other studies	Project Staff
Examining the Current SME Environment, the Original Project Design and Development Hypothesis					
addressed in the design?			Evaluation of BEI Project Activities, Pragma Corporation, 2007.		Crum, DCOP and COP of BEI ○ Elizaveta Krupochkina ○ Ms Zaure Abdrakhmanova
b. To what degree were the regional and local aspects of business environment recognized and addressed in the design?	<i>Associations and Unions of Entrepreneurs (as above)</i>		As above.		○ Ms. Nursulu Ahmetova; ○ Mr. Shamil Ibragimov. ○ Mr. Jonathan Crum, DCOP and COP of BEI ○ Elizaveta Krupochkina ○ Ms Zaure Abdrakhmanova
c. To what degree were the differences in men- and women-owned enterprises recognized and addressed in the	<i>Associations and Unions of Entrepreneurs (as above)</i>		As above.		○ Ms. Nursulu Ahmetova; ○ Mr. Shamil Ibragimov; ○ Mr. Jonathan Crum, DCOP and COP of BEI

Evaluation Questions – Group 1	Data Sources				
	Beneficiaries	Expert Panel	Project Docs	Other studies	Project Staff
Examining the Current SME Environment, the Original Project Design and Development Hypothesis					
design?					<ul style="list-style-type: none"> ○ Elizaveta Krupochkina ○ Ms Zaure Abdrakhmanova
4. Which groups of beneficiaries/ stakeholders reported experiencing an improvement in the business enabling environment from the project activities? Which reported not experiencing an improvement? In which specific areas? And why?	<i>Associations and Unions of Entrepreneurs (as above)</i>		<ul style="list-style-type: none"> ○ Bi-monthly, semi-annual, annual and final reports/ Contract amendments, Pragma Corporation, 2006-2001 		<ul style="list-style-type: none"> ○ Ms. Nursulu Ahmetova; ○ Ms Zaure Abdrakhmanova ○ Elizaveta Krupochkina ○ Irina Tyugina ○ Asiya Kobzhasarova
5. Is the original development hypothesis underlying the intervention design still valid? If not, why/in what ways is it invalid?	<i>Associations and Unions of Entrepreneurs (as above)</i>	<ul style="list-style-type: none"> ○ NGOs Focus Group ○ IFC ○ Ms. Irina Kokaya ○ REFORMA ○ Ms. Larisa Ermakova 		As above.	<ul style="list-style-type: none"> ○ Ms. Nursulu Ahmetova; ○ Mr. Shamil Ibragimov; (now EFCA) ○ Ms. Lyubov Niemann (project manager of BEI, Pragma)

Evaluation Questions – Group 1	Data Sources				
	Beneficiaries	Expert Panel	Project Docs	Other studies	Project Staff
Examining the Current SME Environment, the Original Project Design and Development Hypothesis					
					<ul style="list-style-type: none"> ○ Mr. Jonathan Crum, DCOP and COP of BEI ○ Ms Zaure Abdrakhmanova ○ Elizaveta Krupochkina ○ Irina Tyugina ○ Asiya Kobzhasarova

Evaluation Question – Group 2	Data Sources				
	Beneficiaries	Expert Panel	Project Docs	Other studies	Project Staff
Reviewing the Strengths and Weaknesses of WBDB and RIA Indicators used to Measure Project Results					
<p>6. How comprehensive and sufficient are the WBDB and RIA indicators in measuring the most pressing concerns of SMEs (as identified by key informant interviews, focus group discussions, and the expert panel),</p>	<ul style="list-style-type: none"> ○ Ministry of Economic Deregulation: <ul style="list-style-type: none"> a. Methodological Council; b. RIA Department. ○ Ministry of Health, Sanitary and Epidemiological Department; ○ Associations and Unions of Entrepreneurs (as above); 	<ul style="list-style-type: none"> ○ The World Bank Mr. Emanuel Salinas; Mr. Leonardo A. Lemes; Mr. Tommaso Chierchia ○ IFC 	<ul style="list-style-type: none"> ○ Validation of WBDB Analysis and Indicators, Relation to Evaluation of BEI Project Activities, Pragma Corporation, 2007 	WBDB, KR, 2012	<ul style="list-style-type: none"> ○ Mr. Jonathan Crum, DCOP and COP of BEI ○ Elizaveta Krupochkina ○ Ms Zaure Abdrakhmanova

Evaluation Question – Group 2	Data Sources				
	Beneficiaries	Expert Panel	Project Docs	Other studies	Project Staff
Reviewing the Strengths and Weaknesses of WBDB and RIA Indicators used to Measure Project Results					
e.g. access to electricity, inspections and related transaction costs, ascertaining the quality of information available to SMEs at start-up stage, real time spent in total on obtaining registration certificates, tax administration etc., i.e. which aspects of the most pressing concerns for SMEs were/were not measured by the WBDB and RIA indicators?	<ul style="list-style-type: none"> State Tax Service, Taxpayer Department. 				
<ul style="list-style-type: none"> What types of indicators are needed to fill these gaps? 	<ul style="list-style-type: none"> Associations and Unions of Entrepreneurs (as above) 	<ul style="list-style-type: none"> The World Bank (as above) 		<ul style="list-style-type: none"> WBDB, Russia, 2012 BEEPS At-a-glance, 2008, The World bank, 2010; BEEPS data sets; Investment Climate as Seen by SMEs, IFC, 2010; OECD WEF GCI Index; 	<ul style="list-style-type: none"> Mr. Jonathan Crum, DCOP and COP of BEI Elizaveta Krupochkina Ms Zaure Abdrakhmanova
7. (If applicable) To what extent do WBDB indicators measure and reflect the different issues faced by	<ul style="list-style-type: none"> Women Entrepreneurs Support Association; 	<ul style="list-style-type: none"> The World Bank (as above) EFCA (as above) 	As above.	<ul style="list-style-type: none"> Assessing Business Enabling Environments: How Gender Changes the Equation, Julie R. 	As above

Evaluation Question – Group 2	Data Sources				
	Beneficiaries	Expert Panel	Project Docs	Other studies	Project Staff
Reviewing the Strengths and Weaknesses of WBDB and RIA Indicators used to Measure Project Results					
women-owned and men-owned enterprises, e.g. with regard to business registration, access to credit, business licensing, etc.?				Weeks, President & CEO, womenable.com; o Gender Assessment, USAID/Central Asian Republics, 2010.	
a. What types of indicators are needed to fill these gaps?	o Women Entrepreneurs Support Association;	o The World Bank (as above) o EFCA (as above)		o Business Climate Legal and Institutional Reform, BIZCLIR.	Mr. Shamil Ibragimov.
8. (If applicable) To what extent do the WBDB indicators set reflect the challenges faced by SMEs due to inconsistent implementation of laws and regulations?	o Associations and Unions of Entrepreneurs (as above)	o The World Bank (as above) o <i>NGOs Focus Group</i>	As above.	o BEEPS At-a-glance, 2008, The World bank, 2010; o BEEPS data sets; o Investment Climate as Seen by SMEs, IFC, 2010; o OECD WEF GCI Index.	o Mr. Jonathan Crum, DCOP and COP of BEI
a. What types of indicators are needed to fill these gaps?		o The World Bank (as above)		o BEEPS indicators; o OECD WEF GCI indicators; o OECD indicators of product market regulation with an extension to employment protection legislation’. o World Bank - Logistics Performance Index o USAID Guide to Gender Integration and Analysis	

Evaluation Question – Group 2	Data Sources				
	Beneficiaries	Expert Panel	Project Docs	Other studies	Project Staff
Reviewing the Strengths and Weaknesses of WBDB and RIA Indicators used to Measure Project Results					
9. (If applicable) What would be the optimal set of indicators to measure the challenges, costs, procedures and regional interpretations of the laws and regulations affecting SMEs?		○ The World Bank (as above)		○ WBDB, Russia, 2012; ○ The World Bank Investment Climate Assessments.	
10. (If applicable) To what extent do the current WBDB indicators measure challenges faced by various types of SMEs operating in different industries and regions?	Associations and Unions of Entrepreneurs (as above)	○ The World Bank (as above)	Validation of WBDB Analysis and Indicators, Relation to Evaluation of BEI Project Activities, Pragma Corporation, 2007.	○ WB, Doing Business 2013 in Central Asia: Smarter Regulations for SMEs; ○ WBDB, 2012	○ Mr. Jonathan Crum, DCOP and COP of BEI
a. What types of indicators are needed to fill these gaps?		○ The World Bank (as above)		○ WB, Doing Business 2013 in Central Asia: Smarter Regulations for SMEs; ○ BEEPs indicators; ○ WGI indicators; ○ GCI indicators; ○ OECD indicators of product market regulation with an extension to employment protection legislation'. ○ WB - Logistics	○ Mr. Jonathan Crum, DCOP and COP of BEI

USAID/Central Asian Republics Business Environment Improvement Project Evaluation

Evaluation Question – Group 2	Data Sources				
	Beneficiaries	Expert Panel	Project Docs	Other studies	Project Staff
Reviewing the Strengths and Weaknesses of WBDB and RIA Indicators used to Measure Project Results					
				Performance Index ○ USAID Guide to Gender Integration and Analysis.	

ANNEX 5: FINDINGS

This section includes the findings of the documentation review and the field stage, with a focus on the most significant constraints of BE environment as perceived by SMEs in KR (KR) and Kazakhstan.

BUSINESS START-UPS

Interviews with business associations and analysis of existing surveys and data sets indicate that despite some improvements in the business environment, many challenges remain that directly or indirectly impact the work of SMEs at various stages of business operation, both in the KR and in Kazakhstan. The following challenges were articulated by interviewees and identified in the surveys by the evaluation team as the most pressing obstacles to the development of business at the start-up stage:

- Registration (mainly in Kazakhstan) - obtaining information, completing registration requirements (processing delays/use of “intermediary” services/un-official payments etc.) and obtaining registration documents from public authorities;
- Obtaining permits (absence of ‘silence is consent’ principle and procedure for all types); and
- Obtaining licences (i.e. validity, coverage, transparency, absence of ‘silence is consent’ principle and procedure).

The World Bank Group Entrepreneurship Snapshots (WBGES) survey considers business registration an important component of the business environment. Analysis of the WBGES findings indicates that correlation exists between several elements of business environment and subsequent registrations. These elements include: tax rate; tax administration; governance; and regulation and availability of on-line registration facilities.

REGISTRATION

In Kazakhstan, improvements have been reported in the process of registration, with electronic access to registration services in place. However, although a comprehensive list of documents required for registration is easily available, the process map is not, which makes it insufficiently clear at which stage which document is required, and what the sequence of submission of documentation should be.

In KR, despite the introduction of the one-stop shop (OSS) principle in 2008 and the implementation of the Law “On State Registration of Legal Entities and their Branches” in 2009, which were intended to reduce the regulatory burden on legal entities, business support associations suggest that the procedure for business registration remains complex. The WBDB 2012 “starting a business” indicator, which does not consider the steps needed to complete a procedure and does not capture unofficial payments, assumes that a business can register in 10 days by completing 2 procedures.

Research by the evaluation team suggests that registering a business may take as long as 20 days or longer in KR because of the number of steps needed to accomplish each procedure and the cost and the time that it takes to obtain registration certificate, after all documentation has been submitted and accepted by authorities. About 17% of SMEs surveyed by the IFC in KR, have not had all the information needed for registration available; 15% were of the opinion that administrative staff were incompetent to deal with their enquiry; 16% were unclear about the requirements; 30% felt that far too many documents or notarizations (signature in the case of cooperatives) were required and experienced problems with verification and getting approval of documentation in the case of bilingual document submission requirements.

Some interviewees in KR also suggested that SMEs were obliged to register at a number of separate government agencies, which indicates that this reform has not been fully implemented in all regions. The Law on Registration of Legal Entities adopted in 2009, stipulates the one stop-shop (OSS) principle for registration and re-registration of enterprises, with simultaneous registration at the tax office, statistics office and the Social Fund. The implementation of this law is reported to be failing at the local level, where either technical or personnel issues prevent some provisions of this law from being fully

implemented. As the registration procedure remains in reality lengthy for SMEs, they report availability of information on documentation requirements for registration as a problem because time spent gathering information increases the length of the registration process overall.

SMEs in KR are also faced with increased costs of registration as they are encouraged to seek assistance of “intermediaries” (i.e. facilitators/advisers) that are commercial fee based service providers solicited in addition to payment of official charges for registration and notarisation. It is suggested that in some cases “intermediaries” are even sighted at or adjoined to the OSS offices. Interviewees’ statements and IFC’s survey results also show that more than 20% of surveyed SMEs have had made unofficial payments to registration authorities, directly or indirectly, in order to streamline or speed up the process of completing registration procedure and obtaining company registration documents.

OBTAINING PERMITS

While in recent years the system of permits has been simplified and streamlined, business associations both in Kazakhstan and KR still see the procurement of permits as the most burdensome procedure. A noticeable decrease in the number of permits effected since 2006, creation of the permit register, the introduction of the “silence is consent” and “one-stop shop” principles (the latter for construction permits) have not necessarily simplified the process of obtaining all permits by all types of businesses, particularly in the regions. (The WBDB indicator measures time, cost and procedures of obtaining a construction permit and cited improvements on the basis of these parameters in the period 2006-2011.)

While in the international practice there is no differentiation between permits and licenses, SMEs perceive that in addition to licenses they are still being subjected to too many types of permits which represent a greater cost to their business. In 2007, with the IFC/BEI support, the draft law on streamlining the permits and regulatory system governing the concept of the “Regulatory Guillotine” was introduced for the first time in KR, under which all licenses and permits that cannot be legitimately justified were to be automatically abolished. According to the draft law, the number of permits will be reduced from about 600 to 90, if passed by the Parliament. Work in this area has been continued under IFC guidance, and the new data on licenses, inspection and permits will be available in December 2012.

In March 2011, the Government of KR adopted “the Administrative Regulations on Procedure for Issuance of Permits for the State Agency for Environment Protection and Forestry” based on the BEI expert opinions. Nevertheless, the number of types of nationally issued permits, certifications, and other types of non-license business controlling documents increased from 278 in 2010 to 310 in 2011. Moreover, business support associations receive complains that the information included in the current official permit register is not comprehensive as the list of permits listed in the permit register is not complete and excludes, for example, permits issued by some local authorities.

In Kazakhstan, efforts to reduce the number of permits have been implemented since 2003, upon the decision of President Nursultan Nazarbayev that there should be a five- to ten-fold decrease in permits, licenses and other business start-up documents. The ministries responded by slicing the number of permits by 40%. In 2008, he stated that the goal was a further 30% to 40% reduction in the paperwork needed to start a business by 2011. This reform should be followed by another 30% reduction by 2015. However, according to the business associations, the decrease was offset by a rise in other sign-off requirements. That meant that, in reality, the number of licensing types of activity increased.

Another significant aspect for SMEs operation, as perceived by interviewees, is that despite the introduction of risk factor definitions, a change appreciated, there is a lack of regulation on self-certification as alternative to issue of permits for businesses or/and business activities that are included in low risk category. The percentage of firms indicating that business licensing and permits are not a problem in Kazakhstan, has decreased from 43% in 2005 to 30% in 2008.

OBTAINING LICENCES

Business association and surveys indicate that licensing reforms have reduced the number of activities subject to licensing (in KR, from 32 in 2004 to 30 in 2010) and now better explain the requirements to obtain licenses. However, SMEs report short validity of licenses is a problem and argue that license validity periods could be extended, both de jure and de facto. Number of types of licenses, sub-licenses and sub-sublicenses issued by national-level government bodies also remains a concern as it has seen an increase from 276 in 2010 to 286 in 2012.

Regulatory framework and legislative base for licensing is seeing simplification with the on-going process aimed at the reduction in the number of licenses and simplification of procedures for issuing licenses, but some aspects of licensing regime remain unclear and uncertain. Consideration is currently being given to the establishment of a Licensing Chamber.

While the new version of the Law on Licensing awaits approval by the Parliament in KR, and some new procedures are being piloted, several impediments to SMEs business activity, as articulated by business support associations, remain. Some of them include:

- Absence of “silence is consent” principle (except sectors where the risks are too high to allow start-up prior to review of qualifications);
- Short length of license validity;
- Licenses serve as regulatory instruments rather than fiscal tools;
- Not all licenses are valid in all sub-national jurisdictions;
- Current law does not clearly articulate the qualification criteria for each license;
- Current law does not specify clear reasons why applications may be rejected or revoked as well as procedures for appeals; and
- Licenses should be valid for unlimited periods (except when periodic review of qualifications is necessary to fulfil regulatory objectives).

In Kazakhstan, e-licensing has been introduced. The State database enables businesses to submit documents required to obtain a license electronically over the internet by filling a registration form through the e-Government gateway (www.elicense.Kazakhstan). Licences should be issued:

- Within 15 working days after submission of the required documents;
- Within 30 working days – for licensing in atomic energy use, financial activity and activity related to concentration of financial resources.

If a licensor does not issue a licence to an applicant or fails to provide the reasoned refusal in issuance of the license, the license and/or license attachment shall be considered to be issued from the expiry of the issue date. Licensor is obliged to issue the license to the applicant within 5 working days after expiry of the date of issue of the license. Otherwise, the license and/or license attachment is considered to be issued and document confirming the legal licensed activity before obtaining of the license itself is a copy of the list with indication of date when the licensor received the documents.

In Kazakhstan, Economic Research Institute of the Ministry of Economic Development and Trade of the Republic of Kazakhstan identifies transparency of license issuing authorities as an issue of concern. Statistical data on the number of types of licenses issued by the authorities is either limited or not available. The Institute is, therefore, unable to undertake analysis of dynamics and impact of licensing regime on business and track business development trends. Although information provided by government officials in public speeches, indicates a significant number of removed licences, this information is not necessarily readily available or easy to obtain from the designated sources.

“Conitunous, uncontrollable increase in the number of required licenses and permits and the lack of reliable statistics in permitting system” is emphasized as one of the key problems in the Concept of Further Reforms of the Permitting System of Republic of Kazakhstan 2012-2015.³⁴

Another dimension of complicated licensing regime is connected with the consequences of customs union between Kazakhstan, Russian Federation and Belarus. Regulatory reform of Kazakhstan is based on the hypothesis that the less regulation, the better. This approach led to the situation that some goods still subject to licenses in the Russian Federation were already subject to guillotine or simplification in Kazakhstan. This makes some products of Kazakhstan-based producers’ uncompetitive or even impossible to export.

OECD also points out that with the Russian Federation having 57% of the votes and Belarus and Kazakhstan each having 21.5%, the Russian Federation effectively holds a veto on any measure. Some issues have to be resolved by consensus and in case of disagreement the decision might be taken at a higher political level.

ACCESS TO RESOURCES

Access to Finance and Leasing of Equipment for SMEs

The WBDB “getting credit” indicator measures strength of legal rights index, depth of credit information index, public credit registry coverage, and private bureau coverage. Kyrgyz Republic stands at 12 in the ranking of 185 (WBDB 2013)³⁵ economies on the ease of getting credit and there is little or no improvement in several parameters of this indicator over time. However, micro-financing institutions and banks that lend to SMEs have a limited number of products on offer, although agricultural leasing, women banks and rural mortgages are emerging. As reported by the interviewed business associations and enterprises, constraints with ownership rights, pledging of collateral remains a challenge in practice.

IFC surveys in KR show that both finance rates, availability of loans and procedures for obtaining loans, discourage growth of SMEs, particularly those engaged in agro-processing. On the other hand, financial illiteracy and inappropriate use of loans by borrowers, particularly in the regions, and overall economic and financial instability, poses higher risks for the financial institutions, which is reflected in higher lending rates, particularly for SMEs. The GCI index shows that access to finance is one of the five most problematic areas for doing business. The BEEPS show that almost 20% of firms have not applied for loans because they felt application procedures were too complex, almost 50% found rates unaffordable, and almost 30% could not satisfy collateral requirements.

In Kazakhstan, the percentage of firms indicating access to finance is a problem has increased between 2005 and 2008 from 30% to 56%. Most SMEs lack liquid assets, collateral, and verifiable credit history which increases banks’ risks and increases the cost of credit resources for SMEs compared to the market average.

Difficult access of SMEs and individual entrepreneurs (especially women) to bank loans and prohibitive interest rates hamper the expansion of family enterprises and other small firms, even if these firms have economically viable projects. According to representatives of SMEs, the creation of a specialized agency for SMEs under the Prime Minister could help them better to defend their specific interests, especially if the agency were to channel state financing directly to the sector rather than – as is the case today – via the

³⁴ <http://www.minplan.gov.kz/economyabout/8176/44678/>

³⁵ <http://www.doingbusiness.org/data/exploreeconomies/kyrgyz-republic/>

banking sector. Rather than the absence of a specialized governmental agency, the main problem is the lack of bank lending to SMEs, which stems from insufficient technical expertise within domestic banks to evaluate the specific risks of SME and adapt their policies to their needs.³⁶

The Policies for Competitiveness (PFC) Assessment Framework³⁷, highlights a more holistic nature of the finance availability challenge as it identifies access to bank finance as one of the issues of concern. Overall, the Framework outlines six sub-dimensions that impact on the access to finance for SMEs by looking at both the supply and the demand side. These dimensions include:

- Effective regulatory framework;
- Access to bank finance;
- Access to capital market;
- Early-stage finance;
- Guarantee schemes; and
- Improving skills (quality of demand).

Access to Information and Legal Advice

The range of business support services available to rural businesses is limited or obsolete, as indicated both in KR and Kazakhstan. Financing institutions invest in business and financial education of borrowers in a bid to improve financial knowledge and culture of borrowers towards better financial planning, savings and more equitable and responsible attitude to the repayment of loans that they seek. However, overall regulatory framework remains largely uncertain and creates a platform for unofficial solutions to administrative compliance with laws and regulations, as ‘intermediary’ organizations enter to fill the gaps within unclear or complex areas of the regulatory regime. The IFC survey results in KR indicate that between 24% and 44% of all small businesses (i.e., individual entrepreneurs, SMEs and farmers) admitted to having provided unofficial payments, gifts, entertainment, or other services in an attempt to expedite the process of obtaining mandatory permits, licenses, and certificates, or to pass inspections. The incidence of such “informal payments” in the KR is among the highest of the post-Soviet countries.

In Kazakhstan, the interviewees pointed out that micro-businesses (with up to 10 employees) are particularly vulnerable due to lack of transparent information and specialist knowledge in legal, accounting and economic matters. There is a need to strengthen support to business start-ups, from legal advice related to the choice of most appropriate form of business registration, through to business support and training, provision of legal rights information and representation in courts.

Access to Business Development Services and Skills Training

Business associations in both Kazakhstan and KR, report that business counseling is one of the key areas of their activity in the absence of which businesses, particularly those located in the rural areas, would have found it difficult to manage commercial operations effectively. This is a particular issue highlighted by the Women Entrepreneur Business Support Association: access to information on starting a business and ability to formulate a business idea is cited as low. No particular problems were reported in the urban areas where business development services (business planning, market research, marketing, accounting, audit, legal advice and counseling etc.) are available.

³⁶ OECD Investment Policy Reviews: Kazakhstan, 2012

³⁷ OECD Policies for Competitiveness Assessment Framework, 2010

A major impediment to enterprise development cited both in Kazakhstan and KR is related to the lack of access to skilled labor force and insufficient management skills among entrepreneurs themselves. In the context of increased domestic and global competition in knowledge-based economy, there is a higher demand for qualified personnel.

In Kazakhstan, this is reflected by the fact that the percentage of firms indicating this as a major constraint, has increased from 29% in 2005, to 75% in 2008. Conversely, in KR, this proportion has decreased from 47% in 2005, to 28% in 2008.

In both countries the problem of availability of industry-specific skilled labor and the mismatch between the industry demand and the technical and vocational education training (TVET) supply of qualified labor force, particularly in the regions, has been reported as very significant.

Access to Electricity

BEEPS in KR show that as much as 61% of business experienced power outages with 14% reporting losses due to power outages. Business associations report that planned and unplanned power outages have a detrimental effect on SMEs particularly those engaged in processing. IFC's survey results show that SMEs cited power outages as one of the main obstacles to the development of their businesses. Survey results indicate that 81% of SMEs faced scheduled power supply outages and 78% of SMEs faced unscheduled power supply outages. Average scheduled power outage losses totalled about KRS134,666 (\$3,682) per business – equal to 3.4% of small and medium companies' annual turnover. Small and medium companies who suffered from unscheduled power supply outages in 2008 estimated the losses at KRS96,054 (\$2,627), or 1.7 % of turnover. In total, Kyrgyz SMEs lost the equivalent of KRS2 billion (\$55 million), or 1.4% of 2008 Gross Domestic Product (GDP). (The WBDB indicator “getting electricity” measures number of procedures required to obtain an electricity connection, number of calendar days and cost (% of income capita) needed to complete each procedure. It does not account for the quality of infrastructure services, although access to telecommunications, roads and land has not been reported by business associations as major obstacles to business).

In Kazakhstan, BEEPS show that access to electricity has been increasingly perceived by businesses as a major constraint. The proportion of enterprises indicating that access to electricity is a problem, has increased from 10% in 2005 to 58% in 2008; and access to telecommunication – from 7% in 2005 to 51% in 2008³⁸.

Availability of Qualified Labor Force

Business support associations report that due to migration and “brain drain,” availability of qualified work force, particularly in the regions, is limited or very limited. The Association of Textile Producers also reports the lack of linkages between industry and education which results in inappropriate location of textile TVET institutions throughout the country. This creates deficit of qualified labor in Bishkek where the majority of textile business is located, and the demand for qualified labor there is currently not fulfilled.

BEEPS in KR indicate that only 28% of firms stated that skills and education of available workers is appropriate. The Global Competitiveness Index shows that inadequately educated workforce and poor work ethic among the national labour force are some of the the most problematic factors for doing business.

³⁸ This was the latest information available from the last BEEPS at the time of the report. Statistics available from the next publication of BEEPS may show different survey results.

BEEPS in Kazakhstan show a sharp increase in percentage of firms indicating that availability of skills is a problem – from 28% in 2005 to 75% in 2008.

According to OECD analysis³⁹, common problems affecting the countries of Central Asia include:

- Over-theoretical, poor-quality education in schools and tertiary institutions, leading to a low level of performance and inability to apply what has been learnt in work and later life.
- Lack of investment in the improvement of the human capital stock to build a more productive workforce. In particular, with some exceptions such as the KR, there is low spending on students as a share of per capita income, at secondary and tertiary levels, relative to international averages. As a percentage of GDP per capita, Kazakhstan spends less on education even than Afghanistan.
- Many young people in CAR are unable to access tertiary-level education or skills training which could benefit both them as individuals and their nation's economy.
- Mismatch between what national education systems supply and what employers need, particularly in the area of vocational education and training.
- Shortages of skilled labour, meaning that jobs requiring more than a basic level of education or technological knowledge will be done inefficiently, go unfilled or have to be filled from the international market.
- Insufficient interaction, joint planning and joint working between the worlds of education and employment.

PHYTO-SANITARY AND TECHNICAL REGULATIONS

The KR became a World Trade Organization member on December 20, 1998, the only Central Asian country to do so thus far. Before and after its accession, the KR brought its economic and trade legislation in conformity with World Trade Organization (WTO) rules and obligations. The changes made included a decrease in custom tariffs, the elimination of non-tariffs barriers to trade, including import and export quotas, and a decrease in the number of commodities subject to import/export licensing.

In addition, changes to the technical regulation legislation passed in 2004 and 2005 helped ensure conformity with the Sanitary and Phyto-sanitary Measures and Technical Barriers to Trade Agreements.

Phyto-sanitary and technical regulations are essential for protecting consumer rights and ensuring health and safety, both through regulation and control functions. As a result of USAID support, a number of reforms were undertaken in phyto-sanitary regulations in the KR in the interests of business. A review of mandatory permits has resulted in reduction from 16 to 3 mandatory documents related to high risk categories (work with pathogens; concordance of new products, technologies and raw materials with standard requirements; and work with sources of ionizing radiation). This is, however, perceived as a factor that may increase potential risks for consumers. The interviewees pointed out that when deregulation efforts are made, it is important to strike a balance between what consumers view as protection of their interests, and businesses – as a regulatory or administrative burden.

Due to recent reorganization, a number of health and safety functions have been transferred to the sphere of other ministries and government agencies which resulted in a situation whereby new government structures were established prior to adoption of normative and legislative acts regulating their activities, which meant they still have no authority to investigate certain instances of phyto-sanitary and veterinary safety violations, while the old structures no longer have such authority. The requirement to provide a 10-

³⁹ COMPETITIVENESS AND PRIVATE SECTOR DEVELOPMENT: CENTRAL ASIA 2011

days warning for a phyto-sanitary inspection means that it does not necessarily identify violations that may occur outside of the planned time of inspection, which may jeopardize consumer health and safety.

A number of services are now provided for voluntary phyto-sanitary and veterinary certification in accredited laboratories. There is, however, a significant shortage of accredited laboratories in KR.

Although food safety regulations are necessary, they are not sufficient. Capacity strengthening at all levels of the process is an issue of particular concern. Training policymakers, analysts, scientist, inspectors, processors, and producers should be a priority. The food export industries also require capacity building to handle, process, package, and transport the food that meets the requirements of the importing country.

In terms of technical regulations, the mandatory certification procedure is cited as the most expensive regulatory procedure for SMEs.

As a result of the reforms undertaken since 2004, the KR is currently in a transition phase: adoption of technical regulations establishing mandatory requirements related to products, processes of manufacture, storage, transportation, sale, operation and disposal of products should be completed by December 2012. Requirements that will not have been adopted by then will either stop being effective or will become voluntary, as per the “guillotine” principle embedded in the Technical Regulation Law. Meanwhile, during the transition period, state standards related to safety issues remain mandatory.

Business Associations in KR point to absence of internationally certified laboratories, a serious impediment for businesses engaged in export. While such laboratories do exist in Kazakhstan, JSC “Economic Research Institute” of the Ministry of Economy and Trade indicates that the cost, both official and un-official, of certification remains high for Kazakhstan-based SMEs. Kyrgyz SMEs that seek to use Kazakhstan laboratories for certification of goods are faced with even more complicated and costly process of obtaining export certificates, particularly after the creation of the customs union between Kazakhstan, Russian Federation and Belarus.

According to the OECD, Kazakhstan has developed the legal framework to protect intellectual property rights in line with international standards. The number of inspections, administrative proceedings, offences detected and fines imposed in this field has considerably increased but domestic and foreign operators still express concerns about insufficient Intellectual Property Rights enforcement. The major problem is that current measures affect mainly domestically-produced goods but have remained inefficient to combat imports of counterfeit products. Business Associations in KR also sight these areas as a major restraining factor for competitiveness of domestic SMEs.

TAX ADMINISTRATION

The WBDB “paying taxes” indicator measures taxes, rates and period of payment as clearly articulated in the tax code and other legal acts. The costs of tax administration, given the WBDB assumptions and limitations, are only slightly captured by the measures and the time spent by SMEs complying with tax payments. Business associations report that it is not the number of payments but the difficulty of making each individual payment that is a bigger problem for SMEs. Although the tax burden as a percent of profit is quite high, even this measure doesn’t capture the full burden of tax policy and enforcement faced by businesses. Interviews argue that streamlining of tax administration is an essential area for further reform but regardless of progress with it the impact would not be captured by the WBDB indicators.

According to IFC survey and BEEPS, tax administration is the most burdensome of all procedures for SMEs. SMEs spent KRS79,054 (\$2,162) in meeting their tax accounting and reporting obligations. This represents approximately 13% of SMEs total profit. The total labor cost to SMEs in meeting their tax and reporting obligations (including tax accounting and mandatory reporting, but excluding tax audits) was in

excess of KRS4 billion in 2008, representing 2.9% of national GDP, and exceeding the total costs of all other regulatory procedures together. Another aspect of this, is that the costs of regulatory and tax compliance are regressive, with the result that businesses with low turnover and/or profit bear a proportionately heavier burden. Overall, surveys and data sets show that SMEs bear the highest absolute cost of regulatory procedures and tax administration. Business associations also report that tax administration represents the greatest compliance burden nationally for SMEs.

In Kazakhstan, tax administration has been reported as a constraint by a larger proportion of enterprises in 2008 compared to that in 2005 (51% vs. 48%).

Experts believe (IFC; FORESIGHT, EFCA etc.) that additional reforms would help address the weaknesses of the Kyrgyz and Kazakh SME sector by helping to: (i) ensure the growth of the industry/processing enterprises; and (ii) the growth of medium companies. IFS surveys and BEEPS show that categories of SMEs are currently contracting (industry/processing) or stagnating (medium companies), and suffer from considerable regulatory burdens. This is problematic as these categories of businesses are key for the diversification of Kazakh and Kyrgyz economy, the development of exports and job creation.

INSPECTIONS BY LAW ENFORCEMENT BODIES

Business associations in KR report that despite the noticeable reduction of the number of inspections, introduction of the Law on Inspections designed to further reduce regulatory burden and to make the system transparent, SMEs still cite inspection as one of the most significant obstacles to business operations. Inspection duties were partially removed from line ministries and consolidated within the structures of two dedicated inspectorates in a bid to streamline a more holistic and transparent approach to business inspection.

A number of pilot activities are currently underway (proverka.KR) while the Law on Inspection is awaiting Parliaments approval. Unfortunately, in the absence of the Law and by-laws which would specify clear mandates of the inspectorates there is currently a gap between the adoption of the law and it's practical implementation. Business associations and government agencies cite the capacity and experience of the inspectorates as an issue as technical inspections previously accomplished by individual ministries will now be carried out by inspectors who are not necessarily experts in all given technical fields. The gap also indicates that some types of inspections are currently may not be carried out to a full extent, including of those businesses falling into high risk or medium risk category, representing a potential risk to safety of population. SMEs also report lack of self-governing regulation for businesses falling into lower risk category as an obstacle.

IFC and BEEPS surveys indicate a high incidence of inspections, suggesting that risk factors are not sufficiently considered in the selection of businesses for inspection, and indicating that resources are not being targeted at those businesses most likely to present the greatest risk to society, public health, and the environment, as well as indicating a waste of resources that is expensive for both government and business. Other surveys confirm the disproportionate burden borne by businesses in the KR in comparison with other countries in the region.

According to IFC, businesses operating in Osh city bear the greatest inspections burden. Analysis of inspections by region indicates a high incidence of inspections across all regions of the country, with an average of 60% of all SMEs reporting inspections during the period surveys. The result of the greater burden on businesses in Osh city may indicate greater opportunity for unofficial payments – with possible consequences for the quality of inspectors' work and business development in this region.

CRIME, THEFT AND DISORDER

Business associations in KR state that crime, theft and general disorder as another key impediment to sustainable development of business. Over 40% of surveyed businesses (IFC; BEEPS) stated this as one the major obstacles to their operations. The incidents impacted directly on the volume of sales and loss of productivity. Estimated losses (percentage of annual sales) due to theft, robbery, vandalism or arson, for all surveyed firms and the number of firms experiencing losses in KR is the highest in the region. (The WBDB index does not account for the security of property from theft and looting.)

In Kazakhstan, the latest BEEPS data indicates that only 4% consider this as a major problem.

INVESTOR PROTECTION

Agricultural processing is a key component of the industrial economy, as well as one of the most attractive sectors for foreign investment. KR is rich in mineral resources but has negligible petroleum and natural gas reserves. Among its mineral reserves are substantial deposits of coal, gold, uranium, antimony, and other rare-earth metals. The government hopes to attract foreign investment in mining and metallurgy; however, local business conditions are very challenging to most companies.⁴⁰

A law specific to foreign investors existed prior to KR's accession to the WTO; however, at present, a single law governs both foreign and local investors. While there is no explicit discrimination against (or benefits for) foreign investors in the law, procedures for licensing and approvals do not seem to be transparent, which can make the process appear discriminatory. Tax authorities may apply greater scrutiny to foreign entities operating in KR.

According to WBDB 2013, KR showed no change in "Protecting Investors" rank over the past year. However, in terms of prosecutability, all evidence suggests that this ranking might be somewhat optimistic. Large foreign investors have been subject to contract renegotiation. Stakeholders in Bishkek noted that while according to the law, cases should be prosecutable, instances of corruption are almost never tried.

The Heritage Foundation Index of Economic Freedom 2012 ranks Investment freedom in KR at 55% (77th place) noting that most of the economy is open to foreign investment but rules and regulations are non-transparent and applied arbitrarily. Capital transactions typically have to be registered with relevant government authorities or are subject to scrutiny. Freedom from corruption is very low at 20% (2% lower than in 2008). Transparency International provides a ranking related to corruption, including that present in the judicial system, which can affect the outcome of court cases related to investor protection. According to the report of Transparency International, KR is still one of the most corrupt countries in the world.

In Kazakhstan, IFC has not conducted the same type of investment climate survey, as in Kyrgyzstan, however, the interviewed private sector stakeholders acknowledge that Kazakhstan has strengthened measures for investor protection over the past few years. It has increased the legal requirements for disclosure in related-party transactions. In July 2009, Kazakhstan adopted amendments to the Joint Stock Company Law and the Law on Accounting and Financial Reports, which require greater corporate disclosure in company annual reports, which has significantly enhanced investor protection in the country.

⁴⁰ The U.S. Department of State, 2012

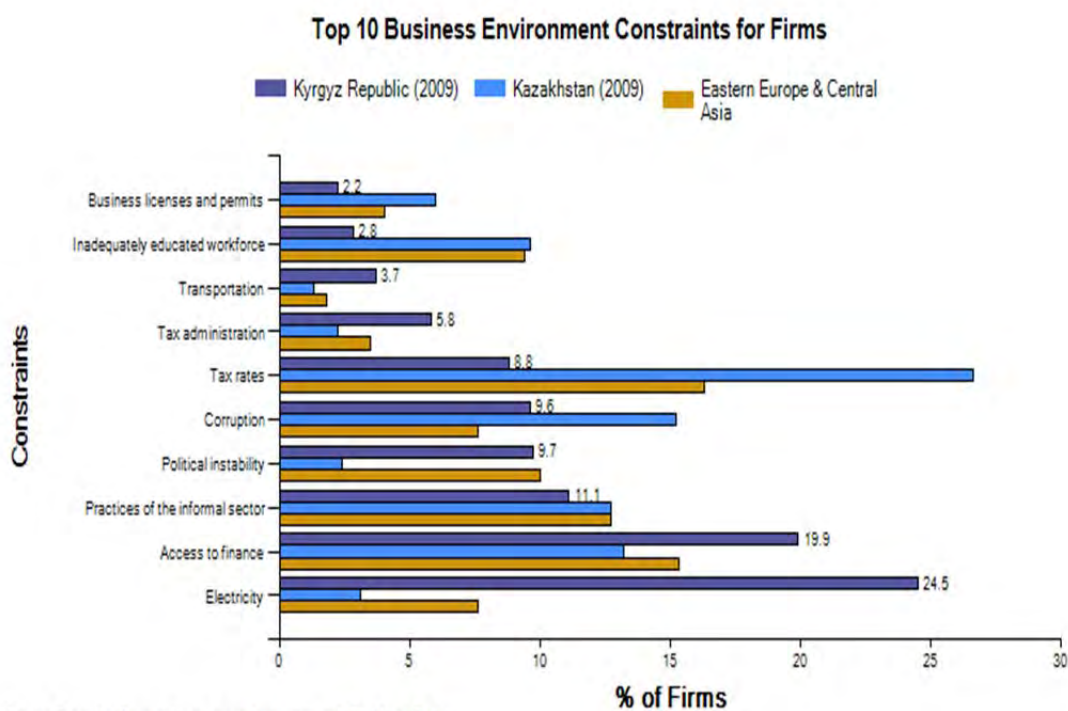
FINDINGS RELATED TO SYSTEMIC REGULATORY ISSUES AND CONSTRAINTS

The evaluation team found that the business environment constraints mentioned by most interviewees relate not only, and not so much, to the areas explored by WBDB reports, but to more systemic failures in the public sector governance, regulatory management, and the institutional capacity of the public sector.

The KR was ranked third and second best reformer, respectively, in the IFC-World Bank Doing Business 2009 and 2010 reports. However, survey results⁴¹ indicate that legal reforms have made minimal impact and that additional reforms may be necessary.

The top 10 business environment constraints for firms captured by the World Bank Enterprise Surveys (2009) are presented in Figure 3 below, comparing KR, Kazakhstan and the regional average. As seen from the bar chart, the top 10 constraints, as perceived by enterprises, are not necessarily related to regulatory and administrative barriers.

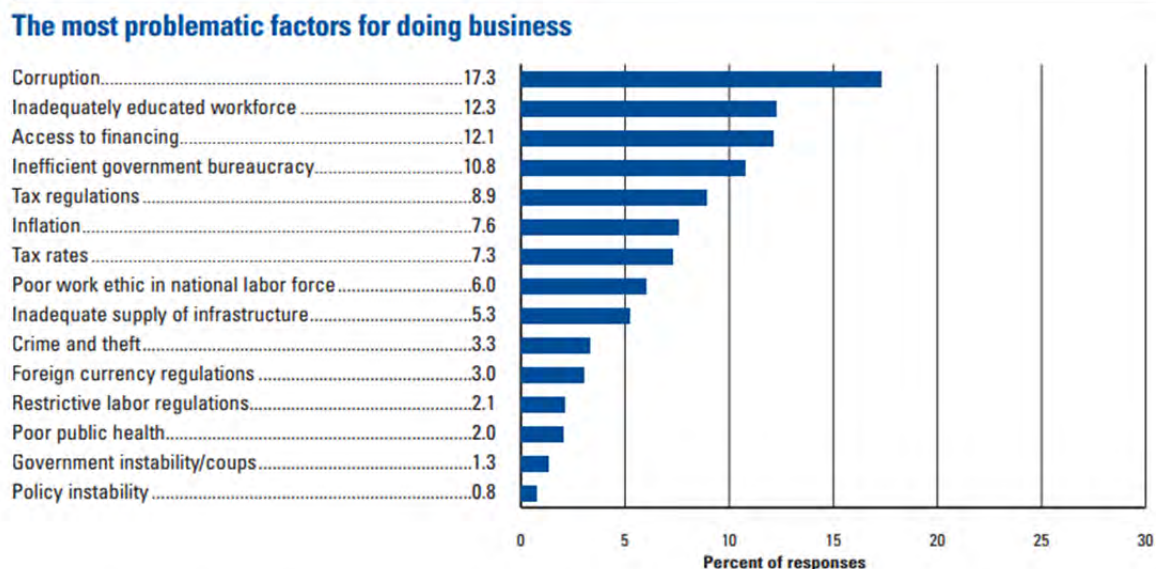
Figure 3. Top Ten Business Environment Constraints in the Kyrgyz Republic and Kazakhstan



Similar results are demonstrated in the Global Competitiveness Report (WEF, 2011-2012) for Kazakhstan (Figure 4) and the KR (Figure 5) next page.

⁴¹ IFC, Investment Climate as Seen by SMEs, 2010

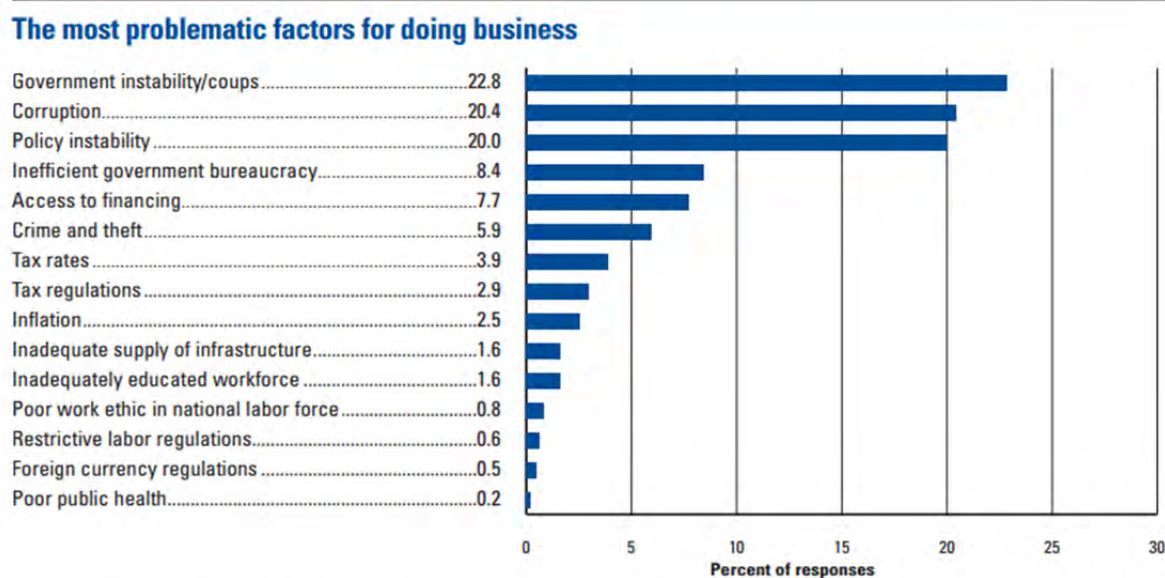
Figure 4. Kazakhstan - Constraints for Doing Business



Note: From a list of 15 factors, respondents were asked to select the five most problematic for doing business in their country and to rank them between 1 (most problematic) and 5. The bars in the figure show the responses weighted according to their rankings.

The Global Competitiveness Report 2011-2012 © 2011 World Economic Forum

Figure 5. Kyrgyz Republic – Constraints for Doing Business



Note: From a list of 15 factors, respondents were asked to select the five most problematic for doing business in their country and to rank them between 1 (most problematic) and 5. The bars in the figure show the responses weighted according to their rankings.

The Global Competitiveness Report 2011-2012 © 2011 World Economic Forum

IMPERFECTIONS OF EXISTING LAWS AND REGULATIONS

Almost all interviewees have commented on the imperfections of the legal regime. In particular, these include contradictions and lack of consistency between various legal acts and regulations. For example, there is currently no legislation on self-governing organizations in KR, however, there is reference to self-governing organizations in three various pieces of legislation, and there are great variances in defining these organizations across different pieces of legislation, which opens the concept to a variety of interpretations. There are a number of direct contradictions between certain laws and regulations.

UNSTABLE, UNPREDICTABLE LEGAL ENVIRONMENT

The key constraint, as perceived by the interviewed private sector organizations, is the unpredictability of changes in the regulatory environment and its instability. After some reforms which eliminated certain administrative or regulatory barriers, new regulatory barriers and requirements are often created in place of the old ones, sometimes backtracking on reforms or exacerbating the original problem. . In Kazakhstan, businesses report a disproportionately large number of new laws and normative legal acts issued practically every week, which prevents even legal specialists, not to mention SMEs, from following and complying with them. Access to the government's legal databases is provided at cost which SMEs find prohibitive.

For instance, KR made paying taxes costlier for firms by introducing a real estate tax, though it has also reduced the sales tax rate (WBDB 2012). Also, although insolvency proceedings were streamlined and requirements for administrators were updated, new formalities were added to prevent abuse of proceedings, which made closing a business more difficult (WBDB, 2011).

INCONSISTENT IMPLEMENTATION OF LAWS AND REGULATIONS

One of the major regulatory issues quoted frequently by businesses in KR and Kazakhstan is the inconsistent implementation of laws and regulations. Survey results^{Error! Bookmark not defined.} in Kazakhstan indicate that the provisions of the legislation are not always implemented.

For example, in Kazakhstan, State Inspectorates do not always respect the provisions of the Law on Inspections regarding advance notification of inspections, presentation of identification and inspection order, registration of inspections in the logbook and mandatory writing of inspection reports. Similarly, licensing agencies do not always respect the validity period of licenses indicated in the legislation. Another example is abuse of the risk management classification which allows to categorize certain aspects of businesses as high, medium or low risk. Categorization is often arbitrary, and is used as a vehicle for informal payments for downgrading businesses. High-risk businesses can be inspected without a warning as 'exceptions', and according to many interviewees, almost 90% of inspections are now categorized as 'unplanned' or 'exceptions'.

CORRUPTION AND ILLEGAL PRACTICES

Most interviewees, both in Kazakhstan and KR, report that business administration remains plagued by corruption and illegitimate practices. The unpredictable regulatory environment, inconsistent implementation of laws and regulations, coupled with corruption add uncertainty and risk to the terms of entrepreneurial activity and are a major disincentive for long-term planning and investment.

Competitiveness rank of KR, as measured by the WEF GCI 2012-13, has decreased compared to 2010-11 (from 121st to 127th position, which is the lowest position in CAR and the CIS). Particularly low are innovation and business sophistication indicators, which rely on investment, long-term planning, and

perception of stability by enterprises. Unstable and unpredictable regulatory environment, as well as corrupt practices, push businesses into the informal sector.

In Kazakhstan, the proportion of firms reporting corruption as a constraint to doing business, increased dramatically between 2005 and 2008 from 27% to 66%.⁴² In absence of an updated BEEPS survey at the time of the report, it is difficult to estimate how the perception of this situation has changed. However, the country has implemented a number of anti-corruption measures over the past few years, and has maintained its WEF GCI rank (51) in 2012-2013, with an improvement in readiness for technological innovation from 87 to 55, which indicates that the situation may have improved compared to 2008.

In both countries, the opinion of the private sector is still strong that additional efforts are needed to ensure that improvements in the legislation are implemented consistently throughout the government agencies and ministries, and the regulatory risk for businesses is decreased.

PROTECTION OF PROPERTY RIGHTS, JUDICIAL INDEPENDENCE AND THE RULE OF LAW

Legal protection of property rights is viewed as a major problematic area by a large number of interviewees, both in Kazakhstan and KR. Together with judicial independence and the rule of law, protection of physical property rights is quintessential for increasing economic growth in countries like KR. While property rights protection is improving the judicial system remains weak and lacks independence.

According to the survey of court users undertaken by SIAR Research and Consulting⁴³ in Bishkek and in all seven regions:

- 30.6% of respondents consider the court system in KR as problematic for doing business in the country
- Only 30% of respondents were satisfied with enforcement of contracts through courts
- Only 34.4% were satisfied with protection of property rights enforcement through the court system
- Users of courts who participated in court proceedings, were much less satisfied with their experience (14.3% to 40% expressed their satisfaction) than those who visited courts for administrative procedures (44.8 to 57.1%).
- Only 37% were satisfied with the quality and comfort level of the courts in KR.

In Kazakhstan, representatives of the private sector particularly emphasize the need for a judicial reform, law enforcement and independence of judges. Corruption, again, is cited as the main and growing impediment to property rights protection and general legal protection of business operations. The proportion of Kazakh enterprises indicating protection of their rights in courts as a problem has more than doubled - from 21% in 2005 in to 43% in 2008.

Transportation has been reported to be a major constraint in both Kazakhstan and KR, particularly obsolete equipment, expensive and inefficient railway transportation, monopolies and corruption.

PUBLIC-PRIVATE DIALOGUE

One of the issues frequently mentioned by the interviewees is lack of cooperation between businesses and government authorities. Expert groups and NGOs specializing in policy research state that businesses,

⁴² BEEPS Kazakhstan, 2010

⁴³ Siar-consult.com – “Diagnostic study of the court system in KR”, 2010

parliament and ministries operate on “different planes”, but expert groups and civil society organizations are capable of bringing interests of all stakeholders together.

For donor-funded interventions, capacity building of expert groups and policy research organizations is a factor of sustainability of their efforts. Expert groups are indispensable as bearers of institutional memory in the society. With frequent changes in political structures, decision makers often lack the required experience and qualifications to ensure continuity of reforms implemented through donor-funded projects, and reforms are often short-lived. Organizations like Foresight in Bishkek that were established with assistance of USAID, provide the required consistency and continuity by providing policy advice to the government organizations and establishing effective platforms for public-private dialogue.

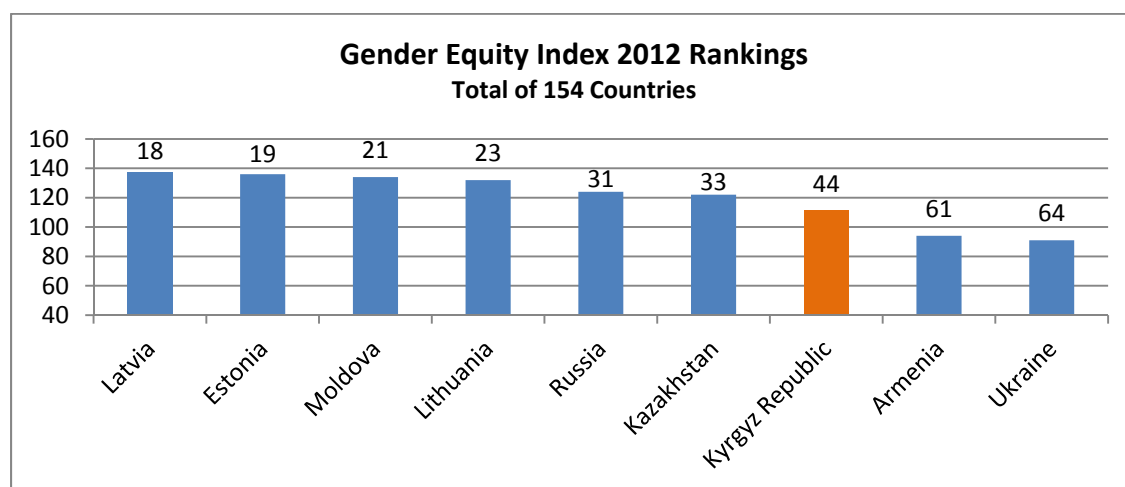
Support and promotion of expert councils is an important long-term factor of preserving institutional memory and continuity of reforms.

In Kazakhstan, the legal provisions for public consultation exist but performance is not yet satisfactory⁴⁴. The Ministry of Justice maintains a publicly available database (www.minjust.Kazakhstan), which contains draft laws and provides updated information on successive steps: from drafting, to the review process by relevant state bodies (such as the government, presidential administration and the Parliament) up to the final stage of signing by the President. Since the beginning of 2011, the public has a possibility to post comments on draft laws in this database.

In practice, however, experience with public consultations is mixed. The US State Department (2011) reported that opportunities for public consultations are available but limited in practice. Local NGOs consider that public consultations are often *pro forma* and involve a limited number of partners, with SMEs notably absent.

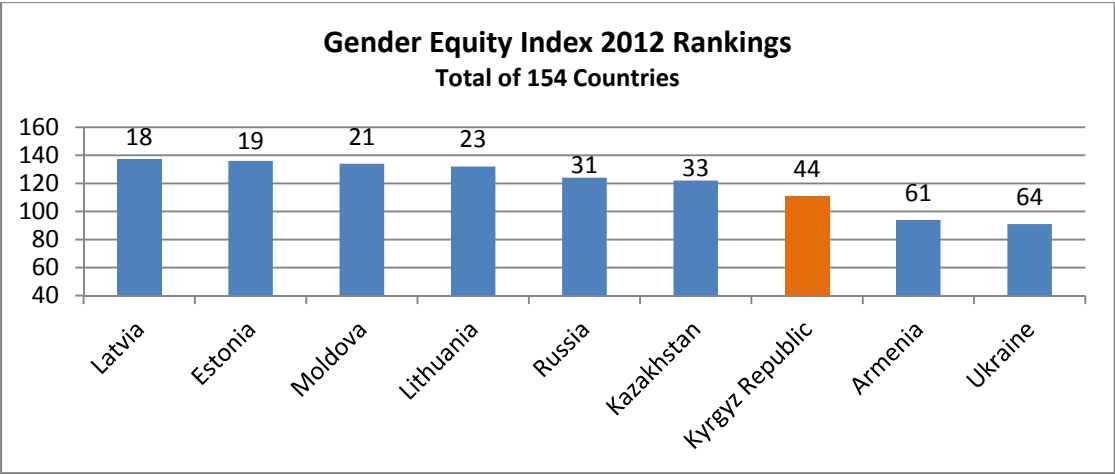
GENDER-SPECIFIC CONSTRAINTS

In KR, the level of economic participation (or paid labor participation⁴⁵) among men is 77%, and among women 55%. Due to specific socio-cultural and demographic factors, the level of economic activity is higher in rural areas than in urban areas. KR ranks 44th out of 154 countries in the Gender Equity Index 2012 (see graph below).



⁴⁴ OECD INVESTMENT POLICY REVIEWS: KAZAKHSTAN 2012

⁴⁵ Gender Equity Index 2012



Traditionally, there is a tendency for larger families and women’s role as home-makers in Kyrgyz society. The average proportion of females- homemakers is 61.5%. In rural areas this proportion is higher (e.g. in Osh it is 76.9%). This is due to the labor-intensive nature of agricultural production, where large families with higher number of children are important for survival. In the North of KR the average number of children in families is 3, whereas in the south it is 7.

Given the lack of child-care facilities and often insufficient level of education, it is difficult for females to find employment or become entrepreneurs, and traditionally, they are encouraged to become home makers. They are under-represented in the labor market and are paid less for the same types of jobs as men.

In addition, women experience difficulties in accessing finance, due to the collateral requirements of lending institutions, while most family assets are formally owned by men, especially if the marriage is not formally registered.

In Kazakhstan, no particular business climate constraints related to women-entrepreneurs versus men-entrepreneurs were reported, apart from some differences in the southern parts of the country and rural areas. It has been stated that women drive a lot of entrepreneurship development, particularly in the cities, where the level of competence and education among women-entrepreneurs is generally higher. In rural areas, women may be at a disadvantage in terms of availability of information on their rights as entrepreneurs and regulatory requirements. The complex nature of some legal and administrative documentation, especially related to obtaining funding, may need to be simplified and made more accessible and usable by women-entrepreneurs outside of the urban areas.

ANNEX 6: SYSTEMIC APPROACH TO BUSINESS ENVIRONMENT

A widely-used definition of the Business Environment (BE) was agreed by the DCED in 2008. DCED defines the business environment as “*a complex of policy, legal, institutional, and regulatory conditions that govern business activities. It is a sub-set of the investment climate and includes the administration and enforcement mechanisms established to implement government policy, as well as the institutional arrangements that influence the way key actors operate (e.g., government agencies, regulatory authorities, and business membership including businesswomen associations, civil society organizations, trade unions, etc.)*”.

Although few donors have carried out full impact assessments of the impact of their programs on the business enabling environment, a considerable amount of work has been done on developing tools and methods for assessing the quality of that environment.

Business enabling environment interventions are normally intended to:

- **Support a more stable operating environment** - creating a **market-oriented** economy where the private sector (whether as small or large firms) can operate efficiently and effectively without unnecessary hindrance;
- **Influence policy and legal reforms** – to reduce the direct and opportunity cost of doing business without removing protections necessary for human health and safety of the environment;
- **Strengthen institutions** - to ensure that reforms in the BE are properly designed, implemented and enforced in a transparent and equitable manner.

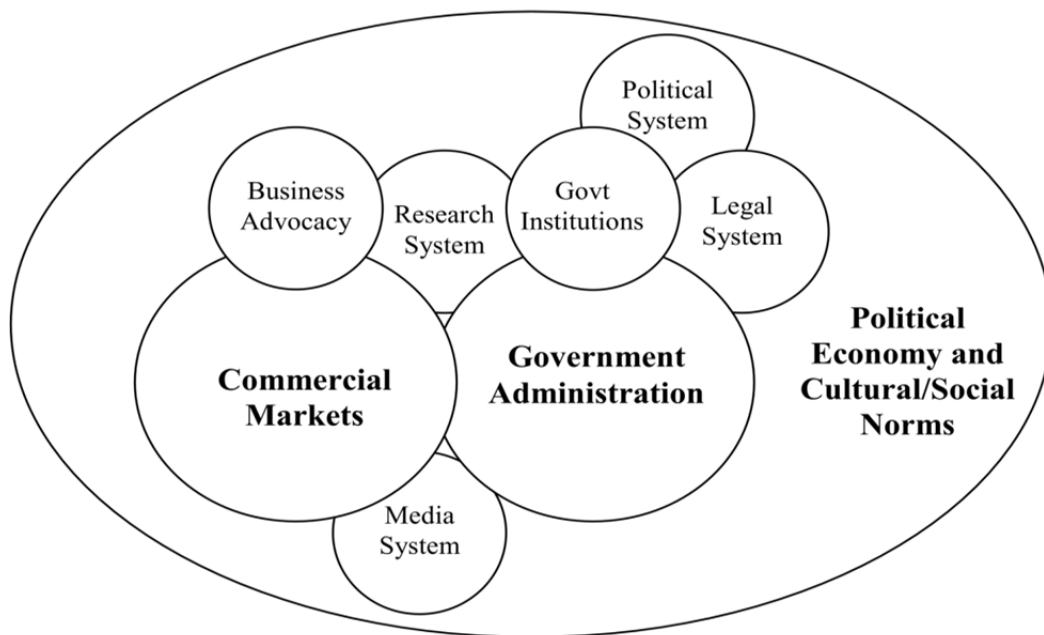
Business environment that affects enterprise performance and growth, is not limited to regulatory requirements. A low level of regulation is optimal for rich countries, and highly regulated middle-income countries can benefit from deregulation. However, as argued by many scholars, regulatory reform may not be the immediate priority in some poor countries, nor for middle-income countries with low levels of regulation. Moreover, consideration should be given to the quality of regulation – not simply the volume – and the effect this has on firm behavior.

Recently, based on the lessons learnt from various donor interventions in support of Business Enabling Environment (BEE), a more systemic approach has been promoted which defines BEE as “*a complex set of interconnected and overlapping systems that define the policies, rules and regulations administered by government that affect business. The core exchange is between business and government. But the interconnected systems are both within and outside government and include media, civil society and businesses organizations. A poor BEE results from underlying systemic failings in the way BEE rules, regulations and requirements are formulated and implemented*”⁴⁶.

Thus, the overall conceptual systems framework for business environment represents a number of overlapping systems: political economy and cultural/social norms, government administration, government institutions, commercial markets, business advocacy, research system, legal system, political system, and media system (as shown in Figure 6).

Figure 6. Conceptual Systems Framework for BE

⁴⁶ Investment Climate Practice Note, DCED/DFID (2012)



It is emphasized that *unless programs address these underlying systemic constraints, they will fail to promote sustainable improvements in the BEE.*

The challenge is that supply and demand both depend on the capacity and incentives of actors in the systems who must therefore own and take charge of reforms at the pace that internal capacity constraints allow. A systems approach should lead to more sustainable, more flexible, more politically aware and ultimately more effective BEE interventions. A systems approach operationalizes the key BEE reform principles of the Donor Committee for Enterprise Development (DCED).

A systemic approach prioritizes the change in systems (i.e. processes, exchanges, incentives and relationships). Success in a systems framework is measured by how much the elements of systems have improved and how much more capable stakeholders are at sustaining existing change and articulating, demanding, executing or managing further change.

A systems approach is based on a number of characteristics that should be integral to a BEE program. These include:

1. Multidisciplinary diagnostics at both program and intervention levels
2. A very strong and thorough monitoring and results measurement system for both reporting and wide communication,
3. Focus on both technical and practical constraints to reform,
4. Facilitating change rather than delivering it directly,
5. Making use of influencing techniques to win hearts and minds,
6. Piloting and experimenting diverse activities and applying lessons learnt to evolve the program organically by either scaling up, reformulating or trying something else, and
7. Prioritizing local solutions and local adaptation of international practice.

It is also recommended that the program should be designed to take advantage of likely change pathways, such as: emerging political champions, investigative media, benevolent business interests, public administration reform momentum or jurisdictional competition. This would help to overcome inertia and resistance, by identifying synergies and incentives for change.

A substantial resource investment is required to be made in measuring, reporting and communicating progress. Evidence for transmission mechanisms needs to be proactively managed to show that programs are delivering, using process indicators of progress to show the program is on track and to ensure a clear mutual understanding by all stakeholders.

The systemic approach to business environment, suggests that the ultimate goal (expected result) of all changes pursued by projects aiming at improvement of business environment should be favorable and adaptive institutional environment for SME functioning and development. This means that:

- Costs of market entry and exit, as well as costs of operating in the market (i.e. losses produced by administrative barriers) are minimal, so that growth opportunities of enterprises are only limited by demand and resource factors;
- Markets are highly competitive, where sanctions are applied for unfair competition (at the national, regional and local market level) and new attempts to violate anti-monopoly legislation are prevented;
- Difficulties in functioning and development of SMEs trigger a special mechanism of revision of regulations that take into account SME requirements to the degree commensurate with added value (increase of social wellbeing, positive externalities, etc.)

Table 5 below summarizes the differences between systemic and unsystemic approaches to improvement of business environment.

Table 5. Systemic and Unsystemic Approaches to BEI

	Unsystemic approach	Systemic approach
Design	Diagnostics focus on BEE outcomes only (e.g. time to register a business, process for paying taxes)	Diagnostics also examine underlying systemic constraints (e.g. how BEE policies are formulated and administered; the capacity / incentives relationships of players in the system; norms governing behaviours etc).
	Diagnostics are performed exclusively by “technical experts”.	Diagnostics are multi-disciplinary, including political economy, institutional perceptions analysis.
	BEE constraints are seen as technical problems, to be “fixed” by technical experts, strongly informed by Western conceptions of best practice	BEE outcomes seen as inherently political and contested; sustainable impact requires catalyzing local solutions to local problems and uses external expertise only where there is clear demand/rationale.
Implement	Targets a narrow range of “partners”, typically exclusively government agencies	Targets a broader range of partners, including non-governmental actors that give voice to businesses (esp. SMEs), monitor implementation, and hold govt to account
	The poor are not explicitly considered during programme design. Benefits of a better BEE assumed to trickle-down.	Explicitly considers the poor and their context. It identifies and targets those systemic constraints that lead to a weak BEE for poor entrepreneurs.
	Implements technical solutions identified by technical experts; “solutions” are rigid and implementation is linear; monitoring is limited to BEE outcomes	It recognizes the complexity of BER; implementation involves testing, probing, learning from failure, scaling up successes; monitoring includes capacity and incentives of local actors and intermediate organization changes.
	Interventions generally ignore the incentives of policy makers and administrators to act in the right way. “Buy-in” from partners is superficial and has to be bought.	Interventions take into account the incentives of actors in the system. Where incentives are not aligned, further interventions are undertaken to try to change incentives (e.g. by changing the institutional framework, strengthening the demand for reform)
	Directly performs analysis of BEE constraints, devises technical solutions, conducts training for government, monitors implementation, and pays bulk of costs	Supports local actors to understand BEE constraints, identify BEE priorities, deliver training, and monitor implementation. Partners are expected to contribute their own resources. Partners with funding constraints are supported to find sustainable local sources of funds (e.g. by helping BMO improve member relations and services).

Source: DCID/DFID (2012)

ANNEX 7: KEY INDICATOR SETS

I. ENTRY DENSITY

The World Bank considers business registration an important component of the business environment.⁴⁷ It measures entry density and ease of starting and closing a business, indicating that a relationship exists between the business environment and subsequent registrations.

The WBDB ‘starting a business’ indicator is limited to measuring the procedures to legally start and operate a company, time required to complete each procedure, costs required to complete each procedure (% of income per capita) and paid-in minimal capital (% of income per capita). Due to reforms in CAR, the index showed improvement over time in the WBDB ranking: Kazakhstan was marked on this account as regional best performer. Globally, Kazakhstan stands at 57 in the ranking of 183 economies on the ease of starting a business and KR stands at 17 in the same ranking. These figures represent an improvement in the WBDB ranking for both countries.

The findings of the evaluation team indicate that the WBDB indicator, while plausible given its limitations, is not the most appropriate measure of improvement in business registration as it does not represent the most pressing concerns of SMEs pertinent to business registration. It is what WBDB does not measure that represents the most pressing concerns which directly or indirectly affect registration or encourage already registered firms to move operations into the shadow economy and remain ‘inactive’ *vis a vis* authorities.

The WBDB attempts to measure a rather narrow aspect of business registration and does not capture correlation with broader aspects of the business environment which produces a greater impact on business registrations, as perceived by SMEs. Some key factors that influence business registration are not included: on-line registration; tax rates and tax administration; company closure (re-registration); investment climate and governance (i.e. corruption) aspects impacting on business registration.

The World Bank Group Entrepreneurship Snapshots (WBGES) incorporates some of the features of WBDB. It is a more comprehensive aggregate indicator of business registration around world (112 countries) that can be used to study the factors that foster dynamic private sector growth on a time scale. The WBGES data shows that ‘more dynamic business creation occurs in countries that provide entrepreneurs with a stable legislative and regulatory regime, a rapid and inexpensive business registration process, more flexible employment regulations, and low corporate taxes’.

The WBGES provides an indicator of entrepreneurship based on an objective measure of business creation. Its nature makes the WBGES an appropriate indicator to measure the impact of regulatory, political, and macroeconomic institutional changes on the private sector, therefore becoming a valuable tool for policy making.

WBGES measures entry density as ease of starting and closing a business (a/cost of starting a business % of per capita income; b/time required to start a business in days; c/procedures required to start a business and d/cost of closing a business % of estate’s value). It also measures Entry Density vs. Government Index and Corporate Tax Rate, Entry Density and Informal Economy, as well as Entry Density in connection with internet registration and ease of starting business. The WB’s findings suggest that a more dynamic business creation occurs in countries which reduced and simplified rules and procedures and achieved a stable investment climate.

WBGES ranks entry density for Kazakhstan at 2.59⁴⁸ and Kyrgyzstan at 1.26 compared with, for example:

- New Zealand – 17.08

⁴⁷ Entrepreneurship snapshots, Measuring the impact of the financial crisis on new business registration, 2010

⁴⁸ New business entry density, calculated as the number of newly registered firms as a percentage of the economy’s working age (15-64) population, normalized by 1,000.

- United Kingdom – 8.05
- Singapore – 7.40
- Hungary – 6.26

The proposed indicator is highly relevant for CAR due to the WBDB limitations of ‘starting a business’ indicator. Entry density indicator broadens the scope of measurement by looking at the relationship between entry density and such factors as company closure, one of the if not the most pressing concern of SMEs in CAR, the governance and corporate tax rate. For example, IFC and BEEPS surveys indicate variance in numbers of businesses created and businesses active and existence of complex procedures for business closure in CAR.

The WB data sets conclude that the highest entry density is recorded in the economies in which the complete registration process was available on-line. This is also an issue of interest to business in CAR as wider introduction of e-registration, e-licensing, e-tax administration etc. would make a meaningful change for start-ups.

The WBGES database will be updated biannually for the foreseeable future and therefore should represent a potential baseline and source of verification of results for future USAID interventions.

ENTRY DENSITY SET OF INDICATORS	
Indicators (WBGES)	
Regulations (WBDB) +	1. The cost of starting a business (measured as percentage of the economy's per capita income), captures all official fees and fees for legal and professional services involved in incorporating a business.
	2. Time required for completing all procedures of starting a business.
	3. Number of procedures necessary to start a business.
	4. The cost of closing a business (measured as a percentage of the estate's value), includes court fees, independent assessors, insolvency practitioners and accountants.
Governance (WBGES)	5. Comparison with Composite Governance Index (info.worldbank.org/governance/wgi/index.asp) that includes sub-categories of: <ul style="list-style-type: none"> o Voice and Accountability; o Political Stability and Absence of Violence; o Government Effectiveness; o Regulatory Quality; o Rule of Law; o Control of Corruption. <p>The governance composite is measured on a scale of -2.5 to 2.5 with higher values indicating better governance.</p>
	6. Correlation with the corporate tax rate as in its impact rate on business registration.
Modernization of Business Registration Process and Ease of Starting a Business (WBGES)	7. Number and types of functioning government-to-business e-services.
	8. Number and types of functioning electronic business registries.
	9. Presence and function of ‘interoperable’ government services: linking business registration with taxation, social services, collateral and other registrations.
	10. Ratio of active/inactive registered SMES (as recorded by official statistics).
	11. Number of banks restructuring of “toxic assets”, interest rates, inequitable assess of collateral as decrease in accessibility of external financing for SMEs (as recorded by Kazakhstan Business Barometer, barriers and concerns of Small and Medium Enterprises (SME) (BLCI and SMECI

ENTRY DENSITY SET OF INDICATORS	
Indicators (WBGES)	
	Indexes).

2. REGULATORY POLICY

WBDB uses ‘dealing with construction permits’ indicator which describes a ‘narrow’ aspect of regulatory policy. The most pressing concern of businesses in CAR extend beyond this indicator and include multiple areas of concern, including, among others, short validity of licenses, corruption, unclear regulatory regime, lack of transparency, lack of regulation on self-governing organisations, challenges with certification of goods etc. There are broader aspects of regulatory environment for business which needs to be measured, including:

- Quality of regulation – Regulatory Policy;
- Regulatory Impact on Business Environment;
- Regulatory transparency (public private dialogue); and
- Administrative burdens and regulatory constraints.

Regulatory policy may be defined broadly as an explicit, dynamic, and consistent “whole-of-government” policy to pursue high-quality regulation. A key part of the OECD 2005 *Guiding Principles for Regulatory Quality and Performance* is that countries adopt broad programmes of regulatory reform that establish principles of “good regulation”, as well as a framework for implementation. Experience across the OECD suggests that an effective regulatory policy should be adopted at the highest political levels, contain explicit and measurable regulatory quality standards, and provide for continued regulatory management capacity.

The following set of indicators is proposed to measure progress with reform in these areas:

REGULATORY POLICY	
Indicators (OECD Regulatory Management)	
Quality of regulation	1. Existence of an explicit published regulatory policy promoting government-wide regulatory reform or regulatory quality improvement. Main motives for regulatory reform include:
	a. Need to boost competitiveness and growth.
	b. International commitment.
	c. Improve social welfare.
	d. Reduce the burden on business.
	2. Number of groups lobbying for, or in favour of, regulatory reform agenda.
	a. Government itself.
	b. Large businesses or their associations.
	c. SMEs or their associations.
	d. Consumer organisations.
	e. Citizens, national opinion.
f. International organisations.	
g. Welfare groups.	
h. Environmental groups.	
i. Think tanks.	

3. REGULATORY MANAGEMENT AND POLICY COHERENCE

The development and implementation of broad regulatory policies are essential to achieve key objectives such as boosting economic development and consumer welfare by encouraging market entry, market

openness, innovation and competition. Achieving these goals requires well developed and functioning inter-ministerial dialogue and coordination across all policy areas fostering policy coherence. It is therefore necessary to ensure a well-functioning consultation with all concerned government bodies when developing new regulations. In addition, promoting the adoption of international standards helps to limit the proliferation of country-specific rules, improving the situation for businesses operating in foreign markets.

The following set of indicators is proposed in this regard:

REGULATORY MANAGEMENT AND POLICY COHERENCE	
	Indicators (OECD Regulatory Management)
	Inter-ministerial dialogue and coordination
a. Number of formal process used when preparing new primary laws (as %) of all laws adopted.	
b. Number of formal process used when preparing new subordinate regulations (as %) of all such adopted.	
2. Number of bodies consulted	
a. Body responsible for competition policy.	
b. Body responsible for trade policy.	
c. Body responsible for consumer policy.	
3. Provisions to promote the adoption of international standards and e-rules	
a. Existence of a requirement that regulators consider comparable international standards and rules before setting new domestic standards.	
b. Existence of a requirement for regulators to explain the rationale for diverting from international standards when country specific rules are proposed.	

4. REGULATORY TRANSPARENCY (PUBLIC PRIVATE DIALOGUE)

All business associations interviewed by the evaluation team believe that:

- Laws are being passed through to Parliament without SMEs and wider private sector request or consultation;
- There are far too many laws being initiated and passed with a consequence that laws are difficult to track and adhere to;
- There is no meaningful consultation between government and business at the level of initiation of laws and regulations;
- When interaction does occur is it limited or it occurs once the law was drafted;
- There is no established process of open public consultation ('White Papers' etc.).

Formalised processes for the development of regulations improve the quality of regulation and control excessive administrative discretion. Predictable and systematic procedures also contribute to regulatory transparency. External scrutiny is necessary to ensure compliance with standard procedures by all regulators and ministries and to guarantee the quality of draft regulatory proposals.

The following set of indicators is proposed to measure progress with increase of transparency of the regulatory process in addition to RIA, through government-to-business dialogue.

REGULATORY TRANSPARENCY	
	Indicators (BizCLIR; OECD Regulatory Management)
Public Private Dialogue	1. The legislative and executive branches have implemented strategic measures to consider and incorporate the private sector's priorities and concerns with respect to regulatory and fiscal matters.
	a. Number of laws and regulations on a time scale (in %) regulating business environment that has not being subjected to public consultation prior to initiation.
	b. Number of laws and regulations on a time scale (in %) regulating business environment that has not being subjected to public consultation.
	c. Number of public meetings on a time scale (in %) regulating business environment that has being subject to public consultation prior to initiation.
	d. Timeliness of publication of draft laws and regulations in media and interactive e-governance tools.
	e. Number of NGOs, including business support associations, (as a percentage of all registered NGOs) engaged in public consultation with the government through formal structures on regulatory reform.
	f. Number of NGOs including business support associations, (as a percentage of all registered NGOs) awarded contracts for strategic sector competitiveness analysis, surveys focusing on regulatory environment, economic growth and SME development.
	g. Within the legislature, a system is in place for meaningful contributions by the business community to development and updating of regulatory and fiscal policy.
	h. Within the executive branch, a system is in place for meaningful contributions by the business community to development and updating of regulatory and fiscal policy.
	i. Number of persons charged with drafting of the national budget formal undergone training.
	j. Proposed regulatory fiscal policy or major budgeting decisions vs. public consultations launched with communities with a stake in their contents and feedback is solicited.
	k. Number of public hearings that are part of the budgeting process.
	l. The process of budget development includes hearing from business associations and trade and industry associations, including those representing business women.
	m. Number of public revisions in the legislature pertaining to the national budget taken publicly and regularly reported by the press vs. number of revisions proposed.
	2. Formalized processes for the development of regulations
	a. Existence of standard procedures by which the administration develops draft primary laws.
	b. Existence of procedure for scrutiny by a specific body within

REGULATORY TRANSPARENCY	
Public Private Dialogue	Indicators (BizCLIR; OECD Regulatory Management)
	Government other than the department which is responsible for the regulation.
	c. Existence of standard procedures by which the administration develops draft subordinate regulations.
	3. Forms of public consultations routinely used
	a. Number of informal consultation with selected groups, as (%) of all consultations.
	b. Number of broad circulation of proposals for comment, as (%) as above.
	c. Number of public notice and calling for comment, as (%) as above.
	d. Number of public meeting, as (%) as above.
	e. Number of simply posting proposals on the internet, as (%) as above.
	f. Number of advisory group, as (%) as above.
	g. Number of preparatory public commission/committee, as (%) as above.
	4. Formal requirements for consultation exist
	a. Any member of the public can choose to participate in the consultation.
	b. Minimum period established for allowing consultation comments inside government when developing draft regulation.
	c. Minimum period established for allowing consultation comments by the public when developing draft regulation.
	d. Number of views of participants in the consultation process made public, as (%) of all consultations.
	e. Number of responses from regulators in writing to the authors of consultation comments, as (%) of all views, as above.
	f. Number of views expressed in the consultation process included in the regulatory impact analysis, as (5) of RIAs conducted.
	g. Existence of a formal process to monitor the quality of the consultation process

5. REGULATORY IMPACT ON BUSINESS ENVIRONMENT

Both Kazakhstan and Kyrgyzstan introduced RIA as a legislative tool for measuring impact of new laws and regulators governing business. The findings and conclusions of the evaluation team indicate that RIA has only been applied to a limited degree in Kyrgyzstan and has not yet been fully introduced in Kazakhstan. The resources and capacity of the Ministry of Economy to perform the central RIA quality control function are insufficient and require strengthening. RIA methodology, as originally introduced, is believed to be rather outdated, overly complicated and is lacking the influence of emerging experiences (e.g. ‘RIA light’ methodology) which would adapt a rather complex methodology to the needs of the CAR users.

Capacity of individual ministries in charge of drafting legislation is also insufficient, which puts the MoE that has the overall responsibility for RIA of new legal and regulatory acts, under further strain. About 30% of RIA’s conducted by ministries themselves do not comply with basic RIA quality standards. Overall, there appears an attitude that RIA is more of a nuisance to passing laws and regulations rather than a useful legislative assessment tool. Business Associations in Kazakhstan report that RIA has not been yet incorporated as meaningful tool in decision making a tall.

The following set of indicators is proposed to measure the degree of meaningful and consistent application of RIA in government decision making on regulatory policy.

ASSESSMENT OF IMPACT ON BUSINESS ENVIRONMENT

	Indicators (OECD Regulatory Management; BEEPS; BizCLIR)
RIA	1. Systemic and systematic application of RIA
	a. Number of laws and regulations on a time scale (in %) regulating business environment that has not being subjected to RIA prior to adoption.
	b. Staff resource limitations as expressed in staff numbers vs. number of laws and regulations drafted.
	c. Number of civil servants formally trained in the use of RIA.
	d. Percentage on a time scale of RIA completed by individual ministries below the quality control threshold, as perceived by the central quality control point.
	e. Number of laws and regulations on a time scale (in %) affecting business environment that has not passed RIA and were subsequently rejected.
	f. Passing of Law on mandatory formal application of RIA (Kazakhstan) to all proposed laws and regulations that concern business regulation.
	g. Number of civil servants from the ministries in charge of issuing legislation trained in the application of RIA (Kazakhstan).
	h. Number of RIAs carried out is consistent with the number of laws and regulation proposed that are to affect business (Kazakhstan).
	2. Extent of RIA and risk assessment
	a. Number of RIAs measured impacts on the budget.
	b. Number of RIAs measured impacts on market openness.
	c. Number of RIAs measured impacts on SMES.
	d. Number of RIAs measured impact on specific regional areas.
	e. Number of RIAs measured impact on specific social groups (distributional effects across society).
	f. Number of RIAs measured impact on other groups (not for profit sector including charities).
	g. Number of RIAs measured impact on the public sector.
	h. Number of RIAs measured impact on gender equality.
	i. Number of RIAs measured impact on poverty.
	3. Quality control of RIA
	a. Number of laws and regulations on a time scale (in %) affecting business environment that have not been subjected to RIA after adoption of the law.
	b. Number of reports prepared on the level of compliance with the above requirements of RIA.
	c. Number of reports published.
	d. Existence of a government body outside ministries responsible for reviewing the quality of the RIA.
	4. <i>Ex post</i> regulatory review and evaluation
	a. Number of periodic <i>ex post</i> evaluations of existing regulations carried out.
	b. Existence of standardised evaluation techniques or criteria to be used when regulation is reviewed.

ASSESSMENT OF IMPACT ON BUSINESS ENVIRONMENT	
RIA	Indicators
	(OECD Regulatory Management; BEEPS; BizCLIR)
	c. Number of reviews undertaken to consider explicitly the consistency of regulations in different areas and taken steps to address areas of overlap/duplication/ inconsistency.

6. LABOUR SKILLS – DEMAND AND SUPPLY (TVET)

Business support associations report that due to migration and ‘brain drain’, availability of qualified work force, particularly in the regions, is limited or very limited. The Association of Textile Producers also reports the lack of linkages between industry and education which results in inappropriate location of textile TVET institutions throughout the country. This creates deficit of qualified labour in Bishkek where the majority of textile businesses are located, and the demand for qualified labour there is currently not fulfilled. BEEPS indicate that only 28% of firms stated that skills and education of available workers is appropriate. The Global Competitiveness Index shows that inadequately educated workforce and poor work ethic among the national labour force are some of the most problematic factors for doing business.

Business associations believe that the future success of SMEs in Kazakhstan depends on improving the knowledge and skills of SME managers and entrepreneurs. The World Economic Forum Global Competitiveness Index indicators related to business knowledge and skills previously ranked Kazakhstan in the bottom third of the 125 countries it surveys and there is insignificant improvement in CAR on this account. Business education in Kazakhstan and KR has still been hardly reformed since the fall of the Soviet Union and business training is underdeveloped, fragmented and too often of low quality and does not meet current demand for qualified labour force. Interviewed businesses reported that there is a prevailing tendency for young adults to join civil service rather than start a business.

This parameter in itself is not measured by the WBDB but BEEPS provide a useful baseline data, although currently updated with 3-4 year frequency.

LABOUR SKILLS - DEMAND AND SUPPLY (TVET)	
	Indicators
	(BEEPS; national statistics; IFC Investment Climate Survey)
Policy and capacity development	1. TVET is identified as underpinning policy priority
	a. State programme is launched identifying TVET as the underlying priority for the creation of BEE and development of SMEs, based on a GAP analysis.
	b. Funding (as %) proportion of the annual budget is allocated to a state-funded programme in support of TVET to complement donor efforts
	c. Strategy is developed and approved aimed at improving employment opportunities for youth and to the developing of a competitive, diversified, innovative, flexible, and crisis-resistant economy.
	d. Examples of PPPs emerge, demonstrating how effective they can be in helping to develop the national work force, specifically in terms of employers investing in the creation of a skilled work force.
	e. Number of young adults (as %) entering individual entrepreneurship, or registering an SME vs. number of young adults joining civil service (as %) of active in this age group (18-28 years old).
	2. Increase in knowledge of entrepreneurship among vocational school students.
	a. Number of SME registered by young adults as (%) of all SMEs registered.
	b. Number of young adults (as %) entering individual entrepreneurship, or registering an SME vs. number of young adults joining civil service (as %) of

active in this age group (18-28 years old).

3. Capacity of TVET institutions increased

- a. Quantitative targets identified and approved (number of graduates employed as qualified workers within a defined period of time; types of quantified industry demand for certain qualifications and the degree to which it is met annually) as part of accelerated and broad-based modernization of vocational education, aimed to improve Kazakhstan's and Kyrgyzstan's work force in the near- and medium- terms.
- c. Number of vocational schools equipped with modern interactive teaching methods, which can serve as a model for improving pedagogy in key business disciplines.
- d. Regular formal mechanism established for consultation with the private sector to address the mismatch through dialogue.

7. REDUCTION OF ADMINISTRATIVE BURDEN AND REGULATORY CONSTRAINTS

The key constraint to SME development as perceived by the interviewed private sector organizations, is that overall regulatory environment for micro, small and medium enterprises remains hostile. SMEs also sight the unpredictability of changes in the regulatory environment and its instability. After some reforms which eliminated certain administrative or regulatory barriers, new regulatory barriers and requirements are often created in place of the old ones, sometimes backtracking on reforms or exacerbating the original problem.

These, rather numerous factors, coupled with a system of unofficial payments, cause stagnation of the SME sector and discourage businesses from operating in the formal economy by joining or reverting to an informal sector. As WBDB does not measure the impact of unofficial payments on business, the advantage of other firm surveys such as BEEPS⁴⁹ and The World Economic Forum's (WEF) "Executive Opinion Survey are providing narrow, specific indicators such as bribes paid in tax collection or in business licensing, and in providing objective measures on share of firm revenues or contract values paid as bribes to public officials. The BEEPS also allows firm-level analyses, e.g. on which types of firms pay more in bribes.

Detailed corruption questions in BEEPS and WEF⁵⁰ can be used to shed light on what aspects of corruption are emphasized by the broad, perceptions-based indicators. The latter appear to measure primarily administrative corruption, rather than "state capture," and appear to measure corruption in public procurement particularly poorly.

Measuring and then reducing administrative burdens is directed at improving the cost-efficiency of administrative regulations in order to reduce the burden on citizens, businesses, the non-profit sector and/ or the public sector. Quantifying burdens also helps to sustain political momentum for regulatory reform. Burden measurement has been improved with the application by a growing number of countries of the

⁴⁹ The Business Environment and Enterprise Performance Survey (BEEPS) is a nationally-representative survey of business firms assessing corruption and other problems faced by businesses in the ECA region. The BEEPS is sponsored by the European Bank for Reconstruction and Development (EBRD) and the World Bank, has covered almost every country in the region, and is updated every three years.

⁵⁰ The World Economic Forum's (WEF) "Executive Opinion Survey" is another cross-country survey of firm managers. Cross-country rankings on several corruption questions from this survey are published for 117 countries in WEF's annual Global Competitiveness Report. Ratings are computed as the simple average of all executives' responses.

Standard Cost Model (SCM) method to measure the burden of information obligations imposed by laws. This allows the setting of not only qualitative but also quantitative targets for burden reduction programs, which can involve a variety of different strategies⁵¹.

WBDB ‘paying taxes’ indicator measures taxes, rates and period of payment as per Tax Code. This only slightly captures costs and time spent complying with tax requirements. Businesses argue for streamlining and simplification of tax procedures as it is the most burdensome of all procedures for SMEs. Businesses with lower turnover and/or profit (micro and small) bear a proportionally heavier burden in Kazakhstan and KR.

The proposed set of indicators is designed to measure some key aspects that encourage the creation of ‘non-active’ enterprises and promote growth of the ‘shadow economy’.

REDUCTION OF ADMINISTRATIVE BURDEN AND REGULATORY CONSTRAINTS	
	Indicators (BEEPS; IFC Investment Climate Survey)
	Size of informal sector
a. Number of state-owned enterprises and their share of GDP.	
b. SMEs share of GDP.	
c. The scope of the public enterprise sector (in manufacturing and service industries).	
d. The existence and extent of special rights over business enterprises.	
e. Legislative control over public enterprises.	
f. The existence of price controls in competitive industries.	
g. The use of command and control regulations, both economy-wide and at the industry level.	
h. Transparency of the government e-procurement system.	
2. Barriers to entrepreneurship	
2.1 Transparency of the licensing and permit system	
a. Application of the principle ‘silence is consent’ by the government agencies for license and permits.	
b. Number of single points for gathering information of administrative procedures.	
c. Number of ‘one-stop-shops’ for submission applications and issuing licenses.	
a. Number of ‘one-stop-shops’ online for submission applications and issuing of documentation.	
b. Existence of statistics from all license and permit issuing authorities on the number of such issued.	
c. Existence of a programme underway to co-ordinate the review and reform of permits and licences at sub-national levels of government.	
d. This programme includes quantitative targets.	
e. This programme includes qualitative targets.	
d. Impact of administrative burdens on SMEs in terms of lost productivity and investment (cost of administrative burdens; loss of profits; loss of productivity).	
e. Availability of internationally certified certification laboratories (KR).	
2.2 Tax administration	

⁵¹ OECD Regulatory Management Indicators, 2011

REDUCTION OF ADMINISTRATIVE BURDEN AND REGULATORY CONSTRAINTS	
Size of informal sector	Indicators (BEEPS; IFC Investment Climate Survey)
	b. Percentage of firms that operate official tax accounting systems vs. total number of registered firms.
	c. Labour costs involved in tax compliance.
	d. Combined costs of VAT and Sales Tax as % of profit.
	e. Discretionary and simplified tax regime for micro and small enterprises.
	f. Existence of on-line tax return, annual return etc. and personal assessments system.
	g. Number of steps, cost and time needed to complete tax administration requirements (income; VAT; sales etc.).
	h. Reduction of frequency of tax returns in a year (to 1).
	i. Introduction of risk-based approach to identification of businesses for tax audits.
	2.3 Risk factor regulation and self-governing organisation
	a. Cases of not transparent and inconsistent implementation of risk factor based inspection, licensing and permit system.
	b. Adoption of the Law on Self-Governing Organisations (through RIA and transparent wider public consultation).
	c. Existence of internet based tools for applications and issue of certification for self-governing organisations.
	3. Unofficial payments
	a. Number of SMEs made informal payments to public officials (% of firms) and 'intermediaries' at the registration stage.
	b. Number of SMEs made informal payments to public officials (% of firms) for obtaining licenses and permits.
	c. Number of SMEs made informal payments to public officials (% of firms) during technical and tax inspections.
	d. Percentage of firms indicating corruption is not a problem.
	a. Bribes as a share of annual sales, for all firms.
	b. Percentage of firms stating bribery is frequent in dealing with taxes.
	c. Percentage of firms stating bribery is frequent in dealing with customs/imports.
	d. Percentage of firms stating bribery is frequent in dealing with courts.
	e. Percentage of contract value typically paid to secure a government contract through e-procurement, for all firms.
	f. Percentage of firms that attempted to secure government contracts.
	4. Barriers to international trade and investment
	a. Quantity of barriers to share-ownership for non-resident operators (economy-wide).
	b. Cases of discriminatory procedures in international trade and competition policies.
	c. Number of legal dispute cases awarded to investors and settled by CAR governments.
	d. Quantity and types of regulatory barriers to trade.

8. ENTREPRENEURIAL PERFORMANCE

As opposed to the WBDB, the World Bank's Enterprise Surveys collect information on the performance of the firms interviewed by asking firms about their annual sales figures and number of permanent full-

time employees at the end of the last fiscal year as well as three fiscal years ago. Indicators show the performance of firms by growth in sales, employment, and labour productivity. All sales data is then converted to U.S. dollars for global comparability. While different countries will have different growth patterns, comparing performance within a country by firm size or industry or other firm subgroups can yield useful insights.

The Enterprise Surveys also provide indicators that describe several dimensions of technology use and innovation. These indicators measure the extent to which firms invest in obtaining recognized certificates of production and accounting practices. Obtaining international quality certifications may support creating more efficient or effective operations and improve employee’s motivation, awareness, and morale. They also provide a sign of high quality that may help reduce waste and increase productivity. Additionally, these indicators demonstrate the use of information and communications technologies (ICT) in business transactions. ICT, such as the Internet, are important tools for all firms because they provide even the smallest of enterprises with the ability to reach national and international markets at lower cost.

PERFORMANCE	
Indicators (WB Enterprise Surveys; IFC Investment Climate Survey)	
Entrepreneurial performance	1. Real annual sales growth (%)
	a. Real annualized growth in sales (using GDP deflators) expressed as a percentage.
	2. Annual employment growth (%)
	a. Annualized growth of permanent full-time workers expressed as a percentage. Annual employment growth is the change in full-time employment reported in the current fiscal year from a previous period.
	3. Annual labour productivity growth (%)
	a. Annualized growth in labour productivity where labour productivity is real sales (using GDP deflators) divided by full-time permanent workers. Annual labour productivity growth is the change in labour productivity reported in the current fiscal year from a previous period.
	4. Quality certification
	a. Percentage of firms that have an internationally-recognized quality certification, i.e. ISO 9000, 9002 or 14000.
	b. Percentage of firms with their annual financial statement reviewed by an external auditor.
	5. Capacity Utilization (%)
	a. Capacity utilization based on comparison of the current output with the maximum output possible using the current inputs.
	b. Percentage of Firms Using Technology Licensed from Foreign Companies.
6. Use of information and communications technologies (ICT) in business transactions	
a. Percentage of firms using website for business related activities, i.e. sales, product promotion etc.	
b. Percentage of Firms Using E-mail to Communicate with Clients/suppliers	

9. LABOUR AND CAPITAL INPUTS AND MULTI-FACTOR PRODUCTIVITY AT THE INDUSTRY LEVEL

The OECD Productivity Database (PDB) provides time series of productivity measures and their components for international comparisons and productivity analysis. In particular, the PDB offers measures of Multi-factor productivity (MFP) that compares the evolution of output with the evolution of

combined labour and capital inputs and includes industry level productivity measures. These new productivity measures by industry (PDBi) should comply with the following criteria⁵²:

- Be fully compatible with the industry-level data that the OECD compiles in its Structural Analysis database (STAN).
- There should be regular updates - STAN ensures timeliness through a rolling update (as opposed to updates at fixed intervals) that follows as closely as possible countries' release calendars of industry-level national accounts data.
- Third, the methodology for PDBi series should reflect the standards put forward in the OECD Manuals on Measuring Productivity (2001) and Measuring Capital (2009).

LABOUR AND CAPITAL INPUTS AND MULTI-FACTOR PRODUCTIVITY AT THE INDUSTRY LEVEL	
	Indicators (OECD Productivity Database; National Statistics)
Business performance	1. Labour input – total hours actually worked by all persons engaged is the conceptually preferred measure of unadjusted labour input for estimating productivity.
	2. Labour remuneration and labour shares
	a. Average remuneration per employee is measured as compensation of employees as defined in the System of National Accounts, including all costs for employers such as their contributions to the employee's social security.
	3. Capital input
	a. Estimating depreciation rates - loss of value of an asset due to ageing and the rate of depreciation is asset-specific and industry-specific.
	b. Initial capital stocks - estimates the initial stock using long-term series of investment that are cumulated based on the perpetual inventory method.
	c. Net capital stocks - cumulating gross fixed capital formation (GFCF) year by year and by netting out depreciation and retirement.
	d. User cost of capital by industry - the user cost of capital in each industry as the product of unit user cost and the net capital stock. Unit user costs are composed of a real rate of return and the rate of depreciation. The real rate of return has been chosen in its ex ante formulation, as a long-run constant rate that is country specific and sourced from the OECD Productivity database.
	4. Multi-factor productivity growth
	5. Labour productivity and multi-factor productivity
	a. Productivities: multi-factor productivity and labour productivity, rate of growth for 2 consecutive years
	b. Output: real value added, rate of growth for 2 consecutive years Inputs: labour input and capital input, rate of growth for 2 consecutive years.
	a. Relative input importance: labour share in total cost.
6. Descriptive growth accounts	

⁵² <http://www.oecd.org/std/productivitystatistics>

LABOUR AND CAPITAL INPUTS AND MULTI-FACTOR PRODUCTIVITY AT THE INDUSTRY LEVEL	
Business performance	Indicators (OECD Productivity Database; National Statistics)
	Comparison of contributions to growth in value-added for an individual sector across countries and/or to understand which sectors are responsible for the changes in the sources of growth in a specific country.

10. LEGAL RIGHTS OF BUSINESS⁵³

WBDB indicator set does not fully reflect the challenges faced by SMEs due to inconsistent implementation of laws and regulations. Whilst WBDB indicators do not measure legal protection of property rights and resolution of business disputes these areas are viewed as a major problematic area by a large number of interviewees. Together with judicial independence and the rule of law, protection of physical property rights is quintessential for increasing economic growth in countries like Kazakhstan and Kyrgyzstan.

Concerns and challenges do exist both at the level of introduction of legislation (as to be measured by RIA indicators proposed above). There are also concerns and challenges as regards implementation of laws and regulations in Kazakhstan and KR. In particular, the most significant areas of concern are legal rights of business and competition in Kazakhstan and KR.

Business association reported an array of weaknesses in the legislative sphere which undermine sustainable development of large, prosperous and competitive SME sector. Various surveys (BEEPS; The Heritage Foundation Index of Economic Freedom, Transparency International etc.) sight direct coloration between corruption and lack of legal protection of business, including in courts, and dynamics of SME growth and investment.

Although Kazakhstan's score in Transparency International's Corruption Perceptions Index has improved from 2.2 in 2008 to 2.9 in 2010, its international ranking is still low (105th position among 178 countries) reflecting the persistence of many problems, notably in the judiciary, dispute resolution and in protecting property rights. According to the report of Transparency International, KR is still one of the most corrupt countries in the world.

The following set of indicators is proposed to measure improvements as regards exercising legal rights of business in CAR.

EXERCISING LEGAL RIGHTS OF BUSINESS	
Legal Framework	Indicators (BizCLIR; BEEPS; WGI; GCI)
	<ol style="list-style-type: none"> 1. The legal framework pertaining to commercial dispute resolution is readily available, clearly drafted, and easy for all to access and use, including residents of rural areas, and women and small-business owners. <ol style="list-style-type: none"> a. Number of new laws published according to a uniform, timely and consistently implemented procedure.

⁵³ Adapted and consolidated from various sources, including: OECD; BEEPS; American Bar Association; BizCLIR; WEF, The Global Gender Gap Report, 2011

EXERCISING LEGAL RIGHTS OF BUSINESS

Legal Framework	Indicators (BizCLIR; BEEPS; WGI; GCI)
	b. Number of businesses expressed equal access to the publications, and can participate in the comment period.
	c. Entries of Law pertaining to all aspects of commercial dispute resolution is available on a regularly updated Internet site or alternative communication platform that offers free and easy access to this information.
	d. The law is user-friendly -- clearly drafted, well-organized by subject, with a table(s) of contents at the front, and with article headings.
	e. Entries by courts post or otherwise very clearly identify the fees and costs involved with commencing commercial cases.
	f. The fees and costs are equitable for small business owners and are transparent and fair as perceived by SMEs.
	2. Regional, district or other local courts exist for addressing disputes affecting the agricultural and rural economy and SMEs, including those run by women, can access and exercise justice in these courts.
	a. There is a clear legal framework that establishes local courts.
	b. The local court system lies within the formal judicial framework.
	c. The revenue base for the local court is clearly stated in the law and functions so as to fully cover administrative costs.
	d. Courts have jurisdiction over a wide range of commercial and property disputes.
	e. Courts operate according to clear, transparent, published rules and procedures.
	f. Number of courts prevalent and accessible in rural areas;
	g. Number of courts, including local courts that make their rules and procedures available to the public.
	h. Courts, including local courts, that issue written decisions based on the published, established law.
	i. Number of decisions of courts appealed to the court system;
	j. Coloration between local/rural and municipal courts usage of published standard for applying the laws.

	Indicators (BizCLIR; BEEPS; WGI; GCI)
Implementing institutions	1. The business community engages in effective means of self-help prior to commencing formal dispute resolution processes.
	a. Ombudsman is appointed to respond to the private sector and business concerns.
	b. Number of SMEs that engaged lawyers to assist in preparing and enforcing contracts.
	c. Number of business and legal communities have developed and use a body of standardized contracts.
	d. Cases business accesses informational sources that help reduce their risks, such as credit bureaus and other informational agencies.
	e. Cases business engaged in predictable, sequential methods of

Implementing institutions	Indicators (BizCLIR; BEEPS; WGI; GCI)
	collection of debts.
	f. Cases business took advantage of contractual rights -- such as repossession of property, where legal -- without undue involvement of the courts.
	g. Record of certification and inspection services adopting uniform standards and procedures that can be easily incorporated into commercial contracts.
	2. SMEs perceive the courts as effective and fair in resolving disputes.
	a. Percentage of SMEs, including micro, small and medium, enterprises that have confidence in the legal framework for attaining justice as perceived by SMEs.
	3. Judges are independent and impartial.
	a. Number of judges appointed based on objective criteria that even if influenced somewhat by politics, foster a system of independent, impartial judges.
	b. A judicial code of ethics exists to address major issues such as conflict of interest, ex parte communications, inappropriate political activity, and discrimination.
	c. Judges do not engage in ex parte communications.
	d. Number of judicial decisions reversed through the judicial appellate process.
	e. The judiciary has control over its own budget.
	f. Level of judicial salaries on a national scale (are adequate to attract and retain qualified judges, enabling them to support their families and live in a reasonably secure environment, without having to have recourse to other sources of income).
	g. Number of senior-level judges appointed for fixed terms that provide a guaranteed tenure, which is protected until retirement age or the expiration of a defined term of substantial duration.
	h. Number of judges discloses their assets on an annual basis.
	i. A number of complaints concerning judicial conduct registered (meaningful process exists under which judges, lawyers and members of the public may register this).
	j. Number of types of legal protection schemes introduced for judges (legal Judges are free from concerns regarding their personal security, and if a situation arises where their safety is in doubt they are afforded additional security).
	k. Number of judges removed from office or otherwise punished (for specified official misconduct and through a transparent process, governed by objective criteria).
	4. The courts are free of corruption or any bias.
	a. Number of court staff is hired according to an open, competitive process.
	b. Number of cases randomly assigned.
	c. Number of courtroom proceedings open to, and may accommodate, the public and the media.
	d. Court fees are clearly defined and publicized, and no additional, informal fees are solicited or accepted by court staff.
	e. There exists a code of conduct for court staff, including standards of

Implementing institutions	Indicators (BizCLIR; BEEPS; WGI; GCI)
	integrity and confidentiality.
	f. Salaries on a national scale for administrative staff (sufficient to attract and retain qualified staff).
	g. Number of court decisions that are a matter of public record, and number of appellate positions published that are open to public and academic scrutiny.
	h. A transcript or some other reliable record of courtroom proceedings is maintained and is available to the public.
	i. Priority for hearing cases is not influenced by size of business, sex of owner, or payment of gratuities.

Support institutions	Indicators (BizCLIR; BEEPS; WGI; GCI)
	1. Legislative systems for creating, updating, and reviewing laws relating to contracts are clear, open, and free of corruption.
	a. Recorded cases of the business community contributions to the development and updating of the commercial law vs. laws passed.
	b. Number of persons charged with drafting the commercial law undergone formal training.
	c. Number of draft commercial laws circulated to communities with a stake in their contents and this includes women-centric communities, business associations and trade groups.
	d. Number of public hearings that are part of the legislative process.
	e. Number of votes in the legislature pertaining to the commercial law taken publically and regularly reported by the press.
	f. Number of legislators publicly disclosed their assets on an annual basis.
	g. Number of inputs from SMEs and business support associations sought and considered in creating, updating and reviewing contract law.
	2. Trade and industry associations are active in the promotion of an effective system of commercial dispute resolution
	a. Number of trainings trade and industry associations conducted educating their members about the various methods of resolving commercial disputes including litigation, mediation, arbitration, and self-enforcement of contracts.
	b. Trade and industry associations' (e.g., bankers associations, securities brokers associations, chambers of commerce) offers of alternative dispute resolution services for their members (e.g., have an internal mediation or arbitration scheme).
	c. Cases when businesses, including small and medium-sized enterprises and women-owned enterprises engaged lawyers to assist in preparing and enforcing contracts.
	d. Cases when business community, including women-owned businesses, used alternative dispute resolution mechanisms, including customary and local dispute resolution mechanisms.
	e. Cases when trade and industry associations, including groups representing foreign businesses represented the private sector in public debate over updates and changes in the commercial law.

II. ACCESS TO FINANCE

The WBDB ‘getting credit’ indicator measures strength of legal rights index, depth of credit information index, public credit registry coverage and private bureau coverage. The Policies for Competitiveness (PFC) Assessment Framework⁵⁴, highlights a more holistic set of indicators outlining six sub-dimensions that impact on the access to finance for SMEs by looking at both the supply and the demand side:

- Effective regulatory framework;
- Improving skills (quality of demand);
- Access to bank finance;
- Access to capital market;
- Early-stage finance; and
- Guarantee schemes.

The issues of effective regulatory framework and skills improvement are covered by appropriate indicators proposed in this report. The following indicator ‘access to finance’ is also more comprehensive as it covers three key areas:

ACCESS TO FINANCE	
	Indicators (OECD, WEF; IMF; World Bank)
ACCESS TO DEBT FINANCING	1. Country Credit Rating – based on assessment by the Institutional Investor Magazine (IMD World Competitiveness Yearbook)
	2. Domestic Credit to private sector – financial resources provided to the private sector (World Development Indicators).
	3. Ease of Access to Loans – survey: how easy it is to obtain a bank loan with only a good business plan and no collateral (1-impossible; 7 – easy).
	4. Interest Rate Spread - the lending minus deposit rate based on an average of annual rates for each country (IMF, International Financial Statistics).
	5. Legal Rights Index - the degree to which collateral and bankruptcy laws facilitate lending. Higher scores indicating that collateral and bankruptcy are better designed to expand access to credit.
ACCESS TO VENTURE CAPITAL	1. Venture Capital Availability – survey: entrepreneurs with innovative but risky projects can generally find venture capital (1-not true; 7-true). (World Economic Forum. Global Competitiveness Report).
	2. Venture Capital – Early Stage – the level of investment performed by Venture Capital firms towards young businesses in seed start-up phases (OECD Entrepreneurship Indicator Programme).
	3. Venture Capital – Expansion Stage – the level of investment performed by the sector for young firms in an expansion phase (OECD Entrepreneurship Indicator Programme).
STOCK MARKETS	1. Buyouts - transactions in which a business, business unit or company is acquired from the current shareholders (OECD Entrepreneurship Indicator Programme).

⁵⁴ OECD Policies for Competitiveness Assessment Framework, 2010

ACCESS TO FINANCE	
	Indicators (OECD, WEF; IMF; World Bank)
	2. Capitalization of Primary Stock Market – the value of the issued shares on the market (World Federation of Exchange).
	3. Capitalization of Secondary Stock Market – an assessment of the efficiency of stock markets providing finance to companies (1-worst; 10-best) (IMD World Competitiveness Yearbook).
	4. Investor Protection - main indicators include: transparency of transactions (Extent of Disclosure Index), liability for self-dealing (Extent of Director Liability Index), shareholders' ability to sue officers and directors for misconduct (Ease of Shareholder Suit Index), strength of Investor Protection Index (the average of the three indexes).
	5. Market Capitalization of Newly Listed Companies - the market capitalization (total number of new shares issued multiplied by their value on the first day of quotation) of newly listed domestic shares relative to GDP (World Federation of Exchange).
	6. Turnover in Primary Stock Market – the total shares traded on the stock market exchange in percentage of GDP (World Bank and Standard and Poor's Emerging Market database).

12. COMPETITION

COMPETITION	
	Indicators
COMPETITION AND ANTI-MONOPOLY LEGAL FRAMEWORK	1. The goals of the competition law – whether set forth in the body of the law, regulations, legislative history, or court decisions – are clear and include the promotion of economic efficiency and consumer welfare.
	2. Cartels and cartel-like behavior (e.g., price-fixing, bid-rigging, market divisions, and concerted refusals to deal) are prohibited. Other non-cartel agreements among competitors that may adversely affect competition are subject to a "rule of reason" analysis.
	3. Vertical restraints (e.g., tying, exclusive dealing, reciprocal dealing) that may adversely affect competition are subject to a "rule of reason" analysis.
	4. Abuse of dominant position (monopolization) that may adversely affect competition is subject to a "rule of reason" analysis.
	5. Mergers and acquisitions that may adversely affect competition are subject to a "rule of reason" analysis
	6. The goals of the competition law – whether set forth in the body of the law, regulations, legislative history, or court decisions – are clear and include the promotion of economic efficiency and consumer welfare.
	7. Cartels and cartel-like behavior (e.g., price-fixing, bid-rigging, market divisions, and concerted refusals to deal) are prohibited. Other non-cartel agreements among competitors that may adversely affect competition are subject to a "rule of reason" analysis.
	8. The competition agency has its own budget line item, and its funding is sufficient.
	9. The competition agency is adequately staffed. <ul style="list-style-type: none"> a. Salaries are adequate to attract and retain qualified staff. b. Staff includes lawyers economists and accountants

COMPETITION	
COMPETITION AND ANTI-	Indicators
	c. Staff includes lawyers, economists, and accountants.
	d. The competition agency has formal and informal staff training programs in place.
	10. The competition agency has the authority and means to hire additional expertise on an as-need basis (e.g., industry experts, academics, consultants, advisors)
	11. Trade and industry associations publish materials and incorporate training in the "do's and don'ts" of competition law and policy.
	12. The business or legal community supports one or more specialized publications on the commercial law and other business issues.
	13. Trade and industry associations report suspected law violations.
	14. Trade and industry associations contribute to television and radio programming on the basics of how free markets operate
	15. Leading political figures publicly advocate competition as a means to improve the economy.
	16. Legislation to introduce competition into sectors that were previously isolated from competition is usually successful.
	17. Government officials look to and draw from other countries' experiences
	18. Government officials look to and draw from other countries experiences enacting competition laws.
	19. The overall legal framework does not create or permit unnecessary licensing or market entry restrictions favoring incumbents.
	20. Leading political figures publicly advocate competition as a means to improve the economy.
	21. Legislation to introduce competition into sectors that were previously isolated from competition is usually successful.
	22. Government officials look to and draw from other countries' experiences

13. INNOVATION

Innovation is the key driver of competitiveness and growth in the globalizing, knowledge-based economy. In order to be competitive, SMEs have to have the capacity to be innovative and operate in an environment conducive to innovation activities.

Innovation can be measured in a number of ways. One of the frameworks for measuring and benchmarking innovation that has been successfully utilized across Europe is the European Innovation Scoreboard (which is now Innovation Union Scoreboard⁵⁵). It includes 3 main types of indicators and 8 innovation dimensions, capturing in total 25 different indicators.

The Enablers capture the main drivers of innovation performance external to the firm and it differentiates between 3 innovation dimensions. 'Human resources' includes 3 indicators and measures the availability of a high-skilled and educated workforce. 'Open, excellent and attractive research systems' includes 3 indicators and measures the international competitiveness of the science base. 'Finance and support' includes 2 indicators and measures the availability of finance for innovation projects and the support of governments for research and innovation activities.

⁵⁵ Innovation Union Scoreboard 2011

Firm activities capture the innovation efforts at the level of the firm and it differentiates between 3 innovation dimensions. ‘Firm investments’ includes 2 indicators of both research and development (R&D) and non-R&D investments that firms make in order to generate innovations.

‘Linkages & entrepreneurship’ includes 3 indicators and measures entrepreneurial efforts and collaboration efforts among innovating firms and also with the public sector. ‘Intellectual assets’ captures different forms of Intellectual Property Rights (IPR) generated as a throughput in the innovation process

INNOVATION	
ENABLERS	
Human resources	1. New doctorate graduates (ISCED 6) per 1000 population aged 25-34
	2. Percentage population aged 30-34 having completed tertiary education
	3. Percentage youth aged 20-24 having attained at least upper secondary level education
Open, excellent and attractive research systems	1. International scientific co-publications per million population
	2. Scientific publications among the top 10% most cited publications worldwide as % of total
	3. scientific publications of the country
	4. Non-domestic doctorate students as a % of all doctorate students
Finance and support	1. R&D expenditure in the public sector as % of GDP
	2. Venture capital (early stage, expansion and replacement) as % of GDP
FIRM ACTIVITIES	
Firm investments	1. R&D expenditure in the business sector as % of GDP
	2. Non-R&D innovation expenditures as % of turnover
Linkages & entrepreneurship	1. SMEs innovating in-house as % of SMEs
	2. Innovative SMEs collaborating with others as % of SMEs
	3. Public-private co-publications per million population
Intellectual assets	1. PCT patents applications per billion GDP (in PPS€)
	2. PCT patent applications in societal challenges per billion GDP (in PPS€)
	3. (Climate Change mitigation; health)
	4. Community trademarks per billion GDP (in PPS€)
	5. Community designs per billion GDP (in PPS€)
OUTPUTS	
Innovators	1. SMEs introducing product or process innovations as % of SMEs
	2. SMEs introducing marketing or organisational innovations as % of SMEs.
	3. High-growth innovative firms.
Economic effects	1. Employment in knowledge-intensive activities (manufacturing and services) as % of total Employment.
	2. Medium and high-tech product exports as % total product exports.
	3. Knowledge-intensive services exports as % total service

exports.

4. Sales of new to market and new to firm innovations as % of turnover.

5. License and patent revenues from abroad as % of GDP.

14. STATISTICS

While both Kazakhstan and Kyrgyzstan publish official statistical data concerning some key aspects of business environment, including business registration, there is an unmet demand for a more holistic set of statistics on business demography. Data on start-ups and closure (both through de-registration and liquidation), their life expectancy and the important role they play in economic growth and productivity, as well as the information they provide for tackling social demographic issues, are increasingly requested by investors, researches, business association and SMEs.

Through the OECD's Entrepreneurship Indicators Project, OECD and Eurostat are collaborating to develop a framework for the regular and harmonised measurement of entrepreneurial activity and the factors that enhance or impede it.⁵⁶

The following set of indicators is proposed in this regard:

STATISTICS	
Indicators (EUROSTAT; OECD)	
POPULATION OF ACTIVE ENTERPRISES	1. The percentage change in the number of active enterprises between year x and year z.
	2. The percentage change in the number of active enterprises between year x and year z
INCORPORATION	1. Start-ups as a percentage of the population of active enterprises (birth rates).
	2. Start-ups by size class.
	3. Start-ups per 10.000 of the population.
	4. Start-ups per 10.000 of total active population aged 15-64.
	5. Correlations of enterprise births with GDP and unemployment rate.
	6. Persons employed in newly born enterprises in year x as a proportion of the total number of persons employed in the population of active enterprises in year xx (both in head counts).
	7. Employees in newly born enterprises in year x as a proportion of number of persons employed in newly born enterprises in year x (both in head counts).
SURVIVAL OF NEWLY BORN ENTERPRISES	1. Survival rate in years xx+t, (t=1 to n) of enterprise births in xx.
	2. Survival rate in years xx+t, (t=1 to n) of employer enterprise births in xx.
	3. Survival rate in years xx+t, (t=1 to n) of economic enterprise births in xx.
	4. Average survival rate <i>i</i> years after birth (<i>i</i> =1 to n) of enterprise births in the period xx, xx+t
	5. Average survival rate <i>i</i> years after birth (<i>i</i> =1 to n) of employer enterprise births in the period xx, xx+t
	6. Average survival rate <i>i</i> years after birth (<i>i</i> =1 to n) of economic enterprise

⁵⁶ Eurostat – OECD Manual on Business Demography Statistics

STATISTICS	
Indicators (EUROSTAT; OECD)	
	births in the period xx, xx+t.
GROWTH RATES	1. The rate of growth of the number of persons employed in newly born enterprises.
	2. The rate of growth of surviving enterprises.
	3. The average number of jobs per enterprise in newly born enterprises during the first five years of operation.
CLOSURE	1. Number of deaths as a percentage of the population of active enterprises.
	2. Correlations of deaths with GDP and unemployment.
	3. Persons employed in enterprises that die in year xx as a proportion of the total number of persons employed in the population of active enterprises in year xx (both in head counts).
	4. Mean employment loss per death, measured in terms of persons employed (head count)
HIGH-GROWTH ENTERPRISES	1. Rate of high-growth enterprises: Number of high-growth enterprises as a percentage of the total population of active enterprises with at least t employees.
	2. Rate of gazelles among newly born enterprises: Number of gazelles as a percentage of all active enterprises with at least t employees that were born four or five years ago. ⁵⁷

15. GENDER SPECIFIC INDICATORS

WBDB indicators do not measure and reflect the different issues faced by women-owned and men-owned enterprises, e.g. with regard to business registration, access to credit, business licensing. Gender-specific constraints and inequalities do exist, mostly in rural areas, both in Kazakhstan and KR. Some key constraints include:

- Ownership rights;
- Access to bank finance;
- Lack of child-care facilities;
- Lack of legal advice and counseling; and
- Lack of business advice and training on entrepreneurship.

While gender specific employment and business dynamics in Kazakhstan and KR, and between larger cities, rural towns and remote rural areas, are subject to variance there factors that appear to be common to CAR.

Given the lack of child-care facilities and often insufficient level of education, it is difficult for females to find employment or become entrepreneurs, and traditionally, they are encouraged to become home makers. They are under-represented in the labor market and are paid less for the same types of jobs as men.

⁵⁷ OECD, 2007, Gazelles are the subset of high-growth enterprises which are up to five years old. The definition is. All enterprises up to 5 years old with average annualised growth greater than 20% per annum, over a three year period, should be considered as gazelles.

In addition, women experience difficulties in accessing finance, due to the collateral requirements of lending institutions, while most family assets are formally owned by men, especially if the marriage is not formally registered.

A number of possible indicators are proposed given that women support associations confirm that women experience different challenges at various phases of entrepreneurial activity.

GENDER SPECIFIC INDICATORS ⁵⁸	
	Indicators (WB/IFC Women, Business and the Law; BizCLIR; Gender Equity Index; The Global Gap Report)
Business regulation and business entry	1. There is an official policy of gender mainstreaming in key government offices at national and Akimat level.
	a. Number of civil servants received training and aware of gender issues in entrepreneurship and employment. Specific staff is responsible for analysis of gender implications of policy, regulations, and budget, particularly in rural areas.
	b. Percentage of men and women employed in a range of staff positions, including those that provide services (advice; training) to businesses.
	c. There is a Department of Rights of the Women Entrepreneurs and Employees or comparable executive level institution that effectively formulates policy and advocates for women and gender issues in the national and local (akimats) government.
	2. Women and men have equal and comparable access to business registration, licensing and commercial finance.
	a. Representation figure of women entering business, business education, employment or entrepreneurship activity in rural areas.
	b. Number of women graduated from TVET (experience in business and entrepreneurship, legal and regulatory environment government business conduct).
	c. Bank managers treat men and women equally in a professional setting and apply the same set of loan application requirements regardless of gender, as perceived by SMEs.
	3. There are no restrictions on women's freedom to make decisions unilaterally regarding entering job or starting business
	a. A woman can apply for a job and start employment without anyone else's permission, as perceived by SMEs.
	b. A woman can open a business without a male family member's permission, as perceived by SMEs.
	c. A woman can apply for a loan and can get a loan based on her property (not joint property) without a male family member's permission, as perceived by SMEs.
	d. There are no other restrictions by family members on a woman's right to

⁵⁸ Adapted and consolidated from various sources, including: WB/IFC Women, Business and the Law, 2012, BEEPS; Gender Equity Index, 2012; 'The Impact of Social Customs & Women's Role in Society, GenderCLIR; WEF, The Global Gender Gap Report, 2011; Gender Assessment, USAID/Central Asian Republics, 2010

GENDER SPECIFIC INDICATORS⁵⁸

Business regulation and business entry	Indicators (WB/IFC Women, Business and the Law; BizCLIR; Gender Equity Index; The Global Gap Report)
	make a unilateral, as perceived by SMEs.
	e. Can women work the same night hours as men?
	f. Can women work in the same industries as men?
	g. Can pregnant women and nursing mothers work the same number of hours as men and other women?
	4. Education is not a constraint for women in business.
	a. There is no gender gap in access to and completion of basic education, as perceived by SMEs.
	b. There is no gender gap in access to and completion of secondary and tertiary education, as perceived by SMEs.
	c. There is no gender gap in access to and completion of vocational education, as perceived by SMEs.
	d. Rates of literacy and numeracy are the same for men and women under the age of 55 years.
	e. Women and men have equal access to scholarships and to opportunities to study abroad, as perceived by SMEs.
	f. Women and men have comparable opportunities for employment and business-related experience based on educational attainment, as perceived by SMEs.
	g. Business development services are available to women as well as men including assistance and training in business management, financial planning, accounting, business planning, mentoring, etc., as perceived by SMEs.

Business supporting institutions	Indicators (WB/IFC Women, Business and the Law; BizCLIR; Gender Equity Index; The Global Gap Report)
	1. Women as well as men are in professional positions in key business support positions.
	a. Number of women and men in rural areas work as: lawyers; accountants and auditors; notaries; bankers and loan officials and journalists.
	b. Number of women in professional positions serving as advocates for women in business.
	c. Number of women on university/professional faculties (women have a place in the education of future business leaders and TVET).
	2. There is local support for women's entrepreneurship that is either government or/and donor sponsored.
	a. One or more women-focused NGOs exist that were not launched due exclusively to international donor funding and/or mandates.
	b. One or more women-focused NGOs exist that are not state supported.
	3. There are one or more professional women's associations.
	a. There are women's professional associations in one or more major cities and rural towns that offer - at a minimum - networking for members.
	b. Number of women's business associations that offer networking, business skill development, information dissemination, and advocacy opportunities.
	c. Number of women's associations that have volunteer or dedicated staff

Business supporting institutions	Indicators (WB/IFC Women, Business and the Law; BizCLIR; Gender Equity Index; The Global Gap Report)
	to provide services to members.
	d. Number of women's associations received funding beyond member dues (such as program fees or corporate/foundation/donor support).

Running a business and working on a job	Indicators (WB/IFC Women, Business and the Law; BizCLIR; Gender Equity Index; The Global Gap Report)
	1. Regardless of household and childcare responsibilities, prioritization of women's business activities is encouraged [by the community, husband, etc.].
	a. Number of women that have time for business activities during childbearing years.
	b. Number of healthcare facilities and/or resources near and available.
	c. Number of adequate day care facilities near and available.
	d. Does the law mandate paid or unpaid maternity/paternity/parental leave?
	e. What is the mandatory minimum length of paid maternity/paternity/parental leave (in calendar days)?
	f. What percentage of wages is paid during maternity/paternity/parental leave?
	g. What is the mandatory minimum length of unpaid maternity/paternity leave (in calendar days)?
	h. Are there laws obligating the employer to give the employee the same job when she/he returns from maternity/paternity/parental leave?
	i. Where parental leave exists, what is the minimum number of days which must be taken by either the mother or the father (in calendar days)?
	j. Are there laws penalizing or preventing the dismissal of pregnant women?
	k. Are employers required to provide break time for nursing mothers?
	2. Women perceive that a woman can compete successfully in the private sector business environment (i.e., confidence that "the system" is essentially "fair.")
	a. Women have confidence that success in the system depends primarily on individual qualifications, as perceived by SMEs.
	b. There is public recognition of the achievements of women in business and employment in the media and other public forums, as perceived by SMEs.
	c. There is not a widespread sense that "as a woman I cannot be successful in business because women do not have the aptitude to understand business (i.e., self-confidence and self-esteem as a woman), as perceived by SMEs.
	d. Women's access to business and employment is not traditionally limited to certain domains or activities (ex. selling goods in the market), while other businesses (ex. construction, banking) are traditionally considered men's businesses, as perceived by SMEs.
	e. Are there laws mandating non-discrimination in hiring practices on the basis of gender?
	f. Are there laws protecting employees from sexual harassment in the workplace?

Running a business and working on a job	Indicators (WB/IFC Women, Business and the Law; BizCLIR; Gender Equity Index; The Global Gap Report)
	g. Do employees with minor children have any additional legal rights to a flexible or a part-time work schedule?
	3. There is support and positive action in key private sector business associations for strengthening of women-owned businesses.
	a. The Chamber of Commerce has a policy in place of support and/or of non-discrimination for women business owners and managers.
	b. The Chamber of Commerce or other private sector association has an incentive fund or special programs (e.g., mentoring, training, etc.) to support the development and growth of women-owned businesses.
	c. Number of women-only associations or NGOs that have incentive funds or special programs to support the development and growth of women-owned businesses.
	d. Number and types of business services designed with the needs of women in mind.
	4. Legal rights in the workplace
	a. Are there laws or constitutional provisions mandating equal pay for equal work?
	b. Are there laws mandating non-discrimination in hiring practices on the basis of gender?
	c. Are there laws protecting employees from sexual harassment in the workplace?
	d. Is it illegal to ask questions about a prospective employee's family status during a job interview?
	e. Do employees with minor children have any additional legal rights to a flexible or a part-time work schedule?
	f. Are payments for childcare tax deductible?
	g. Are there specific tax deductions or tax credits that are applicable only to men?
	h. Are there specific tax deductions or tax credits that are applicable only to women?
	i. What is the minimum loan amount covered in the private credit bureau or public credit registry (as a percentage of income per capita)?
	j. Do microfinance institutions provide information to private credit bureaus or public credit registries?
	k. Are payments for childcare tax deductible?
	l. If the law does mandate compulsory primary education for children, is it provided by the state for free?
m. Are there laws establishing the public provision of childcare, or does the state subsidize childcare for children under the age of primary education?	

Legal support	Indicators (WB/IFC Women, Business and the Law; BizCLIR; Gender Equity Index; The Global Gap Report)
	1. There are explicit government policies to encourage and support women's entrepreneurship.
	a. There is a body of laws that provide for non-discriminatory business practices related to gender
	b. There is publicly-supported enterprise education and training targeted

	Indicators (WB/IFC Women, Business and the Law; BizCLIR; Gender Equity Index; The Global Gap Report)
Legal support	toward women.
	c. There are market development opportunities (such as international trade or government e-procurement) targeted toward women business owners, as perceived by SMEs.
	d. The policy includes an office for Women's Entrepreneurship within the Gender or Business Ministry.
	2. The legal and regulatory framework for licensing treats men and women as equal.
	a. There are no exceptions, special benefits, allowances or restrictions based on gender, as perceived by SMEs.
	b. There are no exceptions, special benefits, allowances or restrictions based on civil status, as perceived by SMEs.
	3. The legal framework for forming cooperatives and associations and protecting women members' rights is sound and supportive of economic growth.
	a. All types of cooperatives and associations covered by the law, including agriculture, handicrafts, textiles and tourism.
	b. Number of women that are members of cooperatives and women are leaders/in decision-making roles.
	c. There is a government ombudsman or interlocutor to support women's role in cooperatives and associations.
	d. All-women cooperatives and associations may represent themselves in dispute resolution and bring suit, as perceived by SMEs.
	e. There is no legal distinction between all-women and other cooperatives and associations, as perceived by SMEs.
	4. Women business owners have adequate access to the services of lawyers and notaries for business contracts and dispute resolution.
	a. NGOs, women's business associations, and donors provided avenues for women business owners to access professional services.
	b. Women and men have equal access to study and practice commercial law and to serve as notaries, as perceived by SMEs.
c. NGOs, women's business associations and/or professional associations are effective advocates for gender equality in all types of commercial dispute resolution, as perceived by SMEs.	

	Indicators (WB/IFC Women, Business and the Law; BizCLIR; Gender Equity Index; The Global Gap Report)
Access to justice and Judiciary performance monitoring	1. Women feel that they have equal access to justice.
	a. Women business owners believe that they have an equal chance of prevailing against a women and a man in court, as perceived by SMEs.
	b. Court statistics reveal that there is no gender bias in the resolution of decisions.
	c. Women have equal access to good representation as a man does, as perceived by SMEs.
	d. Women business owners can afford to pursue a remedy in the court system or through alternative dispute resolution, as perceived by SMEs.
	e. Women can attend the court room proceedings without any more

Access to justice and Judiciary performance monitoring	Indicators (WB/IFC Women, Business and the Law; BizCLIR; Gender Equity Index; The Global Gap Report)
	difficulties than a man would (mobility, appearance in public, child care), as perceived by SMEs.
	f. Do adult married women need permission from their husbands in order to initiate legal proceedings in court?
	2. The rule of law is respected by all sectors of society and is not undermined by official corruption or by gender bias.
	a. Under Transparency International's most recent Corruption Perception Index, the country scores better than 4.
	b. If the country's score on the most recent CPI is less than 7, there is a comprehensive, multiagency program to combat corruption in State institutions.
	c. There is no recent history of major donors or lending institutions cancelling programs, loans or activities on the grounds of official misuse of funds.
	d. Recorded evidence that society regards the law as a force for resolving, rather than creating, problems.
	e. Women express a sense of enfranchisement, accept the legitimacy of government institutions, and trust in legal processes, as perceived by SMEs.
	f. Number of women initiated case in court or through alternative dispute resolution.
	g. Number of women who attended a law school.
	h. Women are not the victims of corruption that prevails over their interests, as perceived by SMEs.
	3. The media report regularly, freely, and accurately on matters related to the courts and its treatment of women.
	a. The media has sufficient access to all appropriate sources of information concerning commercial law issues and how they relate to women, as perceived by media.
	b. The media can report freely on issues, including gender equality, pertaining to the courts without fear of government reprisal as perceived by media.
	c. Number of reporters, including women who have had access to training and education in issues pertaining to coverage of business and commercial law topics.

Ownership rights	Indicators (WB/IFC Women, Business and the Law; BizCLIR; Gender Equity Index; The Global Gap Report)
	1. Women have and exercise their right to inherit property under the law without restrictions.
	a. Property and/or inheritance laws do not conflict with family or personal law, particularly in terms of impact on women.
	b. Women do not need permission to inherit property.
	c. Women can freely use and/or dispose of any inherited property.
	d. The law does not discriminate based on civil status or age.
	e. Women can gain legal marriage certificates so that women can inherit land if a spouse dies.
	f. Do sons and daughters have equal inheritance rights to property from

Ownership rights	Indicators (WB/IFC Women, Business and the Law; BizCLIR; Gender Equity Index; The Global Gap Report)
	their parents?
	g. Inheritance laws are the same for men and women (reference to fact that 'manhood' is common factor in CAR).
	h. In the case of the death of one of the spouses, does the surviving spouse, regardless of gender, have equal inheritance rights to the marital home?
	i. Do unmarried men and unmarried women have equal ownership rights to property?
	j. Do married men and married women have equal ownership rights to property?
	2. Customary law is consistent with formal law in recognizing equitable property rights for men and women.
	a. Customary law does not interfere with a woman's right to inherit, use and/or dispose of any property.
	b. For property acquired during the course of a marriage, is there a legal presumption of joint ownership between the husband and the wife?
	c. Married status for women does not interfere with a woman's right to inherit, use and/or dispose of any property.
	d. Does joint titling of major assets (such as land or the marital home) exist for married couples?
	e. Child-free woman status does not interfere with a woman's right to inherit, use and/or dispose of any property.
	f. Widow status for women does not interfere with a woman's right to inherit, use and/or dispose of any property.
	g. Women have been successful in court procedures to enforce land rights.
	3. The law provides for registration of joint property ownership rights between men and women for real property.
	a. Joint property registration provides equal rights to all owners, including spouses.
	b. Joint property registration transfers property ownership and rights to the surviving owner(s) (spouse) upon the death of a co-owner.
	c. The surviving owner(s) assume responsibility for debt associated with the property.
	d. Each joint owner must consent to the pledging of the property as collateral.
	e. Joint ownership rights do not require a formal legal relationship, such as marriage, among owners.
	4. The property law permits a woman to own any type of real property as an individual in her own name.
	a. The law permits a woman to inherit property on her own.
	b. Women and men have the same inheritance rights.
	c. A woman may buy, sell, rent, and bequeath property on her own.
	d. A woman may lease property on her own.
	e. A woman may take out a mortgage on her own.
	f. There are no legal restrictions on property rights by civil status.
	g. There are no legal restrictions on mortgages by gender or civil status.

ANNEX 8: DOCUMENTS REVIEWED

Document Title and Source

1. USAID Evaluation Policy, 2011
2. Performance Management and Evaluation, TIPS, Selecting Performance Indicators, 2009
3. BEI Annual, Quarterly Reports and Final Report (2006-2011)
4. "Validation of World Bank Doing Business Analysis and Indicators", BEI Report, 2007
5. BEI PMP 2010 (approved by USAID)
6. Preparing Evaluation Reports (USAID)
7. Sample Evaluation Covers (USAID)
8. Sample Form for Disclosure of Real or Potential Conflict of Interest ,USAID
9. Checklist for Assessing USAID Evaluation Reports Version 1.0 March 7 , USAID
10. Doing Business, Kazakhstan, WB, 2012
11. Doing Business, KR, WB, 2012
12. Kazakhstan EBRD-WB BEEPS Survey (2008)
13. KR EBRD-WB BEEPS Survey (2008)
14. Investment Climate in the KR as Seen by Small and Medium Enterprises, IFC, 2010
15. The World Bank Investment Climate Assessments, 2011
16. OECD Investment Policy reviews in Kazakhstan, 2012
17. OECD Monitoring of Corruption Report , Kazakhstan, 2011
18. OECD Competitiveness and Private Sector Development in Kazakhstan, Sector Competitiveness Strategy, 2010
19. OECD Competitiveness and Private Sector Development in Central Asia, 2011
20. USAID/CAR Gender Assessment, 2010
21. World Economic Forum, The Global Competitiveness report, 2010-2011; 2012-2013
22. Global Gender Gap Report, WEF, 2011
23. Innovation Performance Review – Kazakhstan, United Nations Commission for Europe, 2012
24. Best-Practice Guide for a Positive Business and Investment Climate, OSCE
25. Business Environment Snapshots, IFC, 2009
26. Assessing and Learning, USAID, 2012
27. The Guide to Gender-Sensitive Indicators, CIDA 1997
28. Gender Equity Index, European Institute for Gender Equality, 2012
29. Diagnostic study of the court system in KR, SIAR-Consult, 2010
30. USAID, M&E Fundamentals, Frankel & Gage, 2007
31. "Doing Business: An Independent Evaluation", The World Bank Independent Evaluation Group 2008
32. Djankov S. A Response to Is Doing Business Damaging Business. The World Bank, January 2008
33. Channell W. Uses and misuses of Doing Business Indicators. April 2008
34. WB/IFC Women, Business and the Law, 2012